Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.850	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr.42	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils.500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils.500	Sri Lanka	Rup 30
Denmark	Dkr.7.25	Lebanon	£L 8.00	Sweden	Skr 6.50
Egypt	E£1.08	Luxembourg	LFr.42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rin 4.25	Taiwan	NT $85
France	FFr. 6.00	Mexico	Pes. 300	Tunisia	Din 0.800
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

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8523 B

Bonn battles to sell good news on economy, Page 10

World news

Lebanon car bomb attack kills 40

A car bomb killed 40 people and wounded at least 85 in the northern Lebanese city of Tripoli as Moslem and Christian forces fought fierce artillery duels that engulfed Beirut and mountain villages east and north of the capital.

The car bomb, latest in a lethal series, exploded amid crowds gathered after a man threw a stick of dynamite from a car minutes earlier. The latest wave of terror has claimed 130 lives and wounded 400 in a week.

About 30 shells crashed into the Beirut airport compound slightly damaging two aircraft of the Middle East Airlines. Page 2

Canadian changes

Canadian Prime Minister Brian Mulroney announced changes in his Cabinet including the appointment of Elmer Mackay, formerly solicitor general, as minister of national revenue.

Hanging postponed

Black South African poet Benjamin Moloise, due to hang at Pretoria Prison today for the killing of a policeman, was granted a 21-day stay of execution.

Uganda rebel threat

The main rebel group in Uganda rejected peace overtures from the new Kampala Government and threatened a final offensive unless serious negotiations started soon.

Cairo killing

An Israeli embassy attache was killed and his wife wounded when three attackers sprayed their car with automatic gunfire in a Cairo suburb. The hitherto unknown group "Egypt's Revolution" claimed responsibility. Page 2

Glacier battle

Indian troops killed at least five Pakistani soldiers and wounded several others in a battle over control of a disputed Himalayan glacier.

'Spy infiltrated'

West German secretary Ursula Richter who has vanished under suspicion of espionage was infiltrated into the country from Canada with a false identity, the Federal Prosecutor's Office said.

Australian protest

Australian police arrested more than 100 people during union demonstrations against tough anti-strike laws passed by the conservative Queensland state government.

Banker threatened

A man threatened to kill a banker and blow up buildings in the southern Swedish port of Malmo, but was overpowered by policemen as he tried to escape.

'Bandits' kill officials

Harare police said three officials of Zimbabwe's ruling Zanu PF party were killed in Matabeleland by 'bandits,' a term generally used for armed supporters of Zapu leader Joshua Nkomo.

Britons arrested

The British Foreign Office said East Germany had detained two Britons on suspicion of carrying anti-state leaflets.

Journalist shot

Philippines journalist Joselito Paloma, the editor of two weekly magazines, was shot dead in Surigao City in the southern part of the country. He was the 17th journalist killed this year.

Australia trounced

In a tense finish after three hours of play was lost to rain, England won the Fifth Test at Edgbaston by an innings and 118 runs, dismissing Australia for 142 with 11.5 overs to spare. Australia must win the final match to retain The Ashes.

Business summary

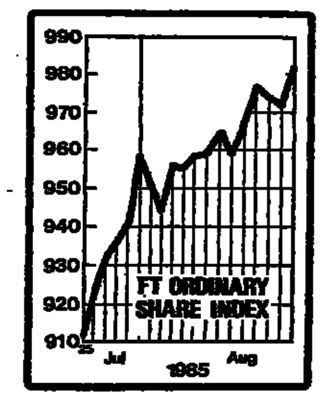
De Beers boosts interim profits

DE BEERS Consolidated Mines of South Africa boosted interim earnings, aided again by favourable exchange movements.

Reflecting confidence in the diamond market's prospects, the board has recommended an increase of 2.5 cents to 15 cents in the interim dividend.

Profit rose 28.5 per cent to R530m ($220.4m) in the six months to June 30. Page 13

PANTRY PRIDE, the Florida-based supermarket group which made a $1.9bn takeover bid for Revlon, sued the giant cosmetics and health care products group to prevent Revlon putting legal obstacles in the way of its hostile bid. Earlier story, Page 13.



LONDON equities staged a smart rally assisted by better-than-expected U.S. GNP figures. The FT Ordinary index added 10.1 to 982.2. Page 32

WALL STREET: At 3pm the Dow Jones industrial average was 11.98 higher at 1,324.48. Page 32

TOKYO share prices turned lower despite heavy trading in large capital and shipping stocks. The Nikkei-Dow market average shed 6.00 to 12,634.05. Page 32

DOLLAR improved in London, rising to DM 2.7775 (DM 2.763), SwFr 2.2785 (SwFr 2.261), FFr 8.485 (FFr 8.435) and Y237.3) (Y236.8). On Bank of England figures, the dollar's exchange rate index rose to 136.7 from 136.0. Page 25

STERLING slipped by a cent against the dollar in London to finish at $1.3895. It was also lower at DM 3.86 (DM 3.8675), FFr 11.78 (FFr 11.81) and Y329.75 (Y331.5), but was unchanged at SwFr 3.165. The pound's exchange rate index fell to 81.8 from 82.1. Page 25

GOLD In New York the October Comex settlement was $338.60. Gold fell $4 an ounce on the London bullion market to $334.75 and $4.15 in Zurich to $334.60. Page 24

AUSTRALIA unveiled a budget underpinning what it called one of the fastest-growing economies in the West. Page 12

SWITZERLAND'S net foreign assets rose to a record SwFr 205.3bn ($90.8bn) last year from SwFr 184.5bn, according to Union Bank of Switzerland estimates. Page 3

WEST GERMAN banks have begun to drop the interest rates they charge on credit to customers. Page 3

GREECE and the North Aegean Petroleum Company are involved in a row about offshore drilling rights near the island of Phassos in the Aegean Sea. Page 4

METROPOLITAN Life, U.S. insurance company, bought Century 21, biggest real estate broker in the country, in a deal worth more than $200m. Page 13

DEERE & CO, U.S. farm machinery and industrial equipment manufacturer, returned to losses in the third quarter, although special items lifted it to a small profit. Page 13

NEDERLANDSCHE Middenstandsbank, third largest Dutch commercial bank, lifted earnings 19 per cent to Fl 65.6m ($21.1m) during the first half of the year. Page 13

J. C. PENNEY, third biggest U.S. retailer, suffered a 40 per cent fall in second-quarter net profits. Page 12

Punjab accord in peril as gunmen kill Sikh leader

BY K. K. SHARMA IN NEW DELHI

SIKH TERRORISTS yesterday assassinated the moderate president of the Akali Dal political party, Mr Harchand Singh Longowal, in a Punjab village, again plunging the troubled Indian state into a serious crisis.

The killing will force the New Delhi Government to rethink its plans for bringing peace to the state.

Two recent developments had led to hopes that peace would return to Punjab – the settlement over Sikh demands that Mr Longowal signed with Mr Rajiv Gandhi, the Prime Minister on July 24 and the announcement that state elections would be held on September 22. Doubts must now arise over whether they will be carried through.

Mr Longowal single-handedly signed the agreement on Sikh demands with Mr Gandhi and had undertaken to push it through against opposition from Sikh extremists.

The assassination was the work of extremists who had put Mr Longowal on their hit list as soon as the controversial agreement on Punjab was reached.

It was opposed even by other top leaders of the moderate faction although, ironically, they patched up their differences with Mr Longowal hours before he was shot by four terrorists and made a joint appeal for Sikh unity.

The appeal was made in preparation for state elections on September 22 on which Mr Gandhi gambled as a way to bring calm to Punjab. Since Mr Longowal accepted the electoral challenge only a couple of hours before he was shot, after suggesting last week that they should be postponed until March next year, Mr Gandhi will now have to consider whether these can be held now as scheduled.

The assassination removes from the troubled Punjab scene a moderate leader wedded to national unity who opposed the extremist demand for a separate Sikh nation and leaves in considerable doubt the future of the majority religious community in Punjab.

The Sikhs are sharply divided and even the moderates are uncertain about the future course of action following the trauma caused by the army action against Sikh extremists in the Golden Temple in the Holy City of Amritsar in June 1984.

Yesterday marked the revival of terrorist activity in Punjab. Only hours before the shooting of Mr Longowal, a Congress party leader, Mr Khullar, was shot dead in Jalandhara.

Two terrorists were arrested after the shooting but have not been identified. They could belong to any of three or four groups of terrorists still functioning in Punjab and who are determined to sabotage the Punjab settlement signed four weeks ago by Mr Gandhi and Mr Longowal.

Indian opposition politicians denounced the announcement of elections as political opportunism, saying Mr Gandhi wanted to capitalise on the current wave of popular support following the recent peace accord with Sikh moderates.

In a rare gesture, the Indian Cabinet met under Mr Gandhi's chairmanship last night and passed a resolution expressing "deep distress" at the assassination of Mr Longowal.

Pakistan prepares for Bhutto funeral, Page 12

Esso plans to close its Cologne ethylene plant

BY TONY JACKSON, CHEMICALS CORRESPONDENT, IN LONDON

ESSO Chemie, a chemicals subsidiary of Exxon, is to close its ethylene plant at Cologne in West Germany by the end of the year, with the loss of 350 jobs. The plant is one of the largest in Europe, with an annual capacity of 450,000 tonnes.

Esso blamed continued overcapacity in European ethylene, caused by reduced growth in demand. Another factor the company said, was the number of new modern plants being brought on stream in various parts of the world.

The largest such plant in Europe is the Mossmorran complex on the east coast of Scotland. Jointly owned by Esso and Shell, the plant is due to be commissioned next month, with a nameplate capacity of 500,000 tonnes.

Shell has already announced the closure of its 145,000 tonne ethylene cracker at Carrington, Near Manchester. Combined closures by the two companies will therefore more than offset the new capacity installed at Mossmorran.

Mossmorran was planned in the late 1970s, when the outlook on growth for ethylene – one of the most important of the basic petrochemicals – was much higher than now. The project was eventually completed on the promise of financial assistance from the UK Government, in the form of tax breaks on feedstock from the North Sea.

The Cologne closure underlines Esso's reduced commitment to ethylene in Europe. Net of its 250,000 tonne half-share in Mossmorran's output, the group's capacity will fall by 200,000 tonnes. In addition, the forthcoming sale of the Stenungsund cracker in Sweden to Statoil of Norway will reduce Esso's capacity by a further 365,000 tonnes.

This will leave a total of around 600,000 tonnes, comprising 260,000 tonnes at Gravenchon in France, 250 000 tonnes at Mossmorran and 90,000 tonnes at Fawley in England.

Esso has therefore fallen behind other European ethylene producers such as West Germany's BASF, the Dutch group DSM and Britain's Shell and BP. ICI, Britain's biggest chemicals group, substantially reduced its exposure to ethylene three years ago through a plant swap with BP.

Esso said: "Despite its intensive efforts, the company was not able to identify long-term outlets or other solutions that would permit it to continue operating its Cologne ethylene plant." By Esso's estimate, European capacity after the closure will still stand at around 14m tonnes, against current demand of some 11.8m tonnes.

Reuter reports from Hamburg: Esso also announced yesterday that it would close its Hamburg-Harburg refinery in the autumn of 1986.

The company said that with the closure of the Hamburg plant, its total annual refining capacity will drop to 12.2m tonnes from 16.7m.

Esso said the refinery's capacity was expanded to 5.5m tonnes per year in 1972 from 3.6m, then reduced to 4.5m in June 1985. Actual throughput in 1984 was 3.4m tonnes.

Full British role urged in EMS to stabilise sterling

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE CASE for Britain to become a full member of the European Monetary System (EMS) was given an authoritative boost yesterday by the UK's independent National Institute of Economic and Social Research.

It said in its latest economic review that an exchange rate policy within the EMS would have provided a better basis for financial stability than the monetary strategy laid down by the Conservative Government soon after it came to office in 1979.

The institute's view is based on an appraisal of the harm done to the UK economy by wide swings in the exchange rate during the last five years.

It came on the day that the Confederation of British Industry, which also wants Britain to become a full EMS member, renewed its campaign for lower interest rates and a depreciation of sterling.

Morgan Guaranty, the influential U.S. bank, also argued yesterday that Britain would be better off within the EMS.

The bank suggested that the "binding of sterling to the German mark could materially lower UK inflation expectations" and "convey a more forceful and convincing message than ambivalent targeting of opaque monetary aggregates."

The National Institute said the Government set its medium-term financial strategy (MTFS) to try to create greater financial stability and to reduce uncertainty about inflation. But it had failed to prevent large fluctuations in sterling, which had themselves changed ideas about inflation prospects.

The institute said: "In its first phase, the MTFS attached overriding importance to a target for sterling M3 (cash and bank deposits), vain pursuit of which contributed to the over-valuation of sterling in 1980."

It warned that "the damaging effects of an exchange rate appreciation such as occurred this year and during 1979–80 are not fully reversed even if the exchange rate comes down again."

If Britain had been in the EMS, the institute said, the foreign exchange markets would have been impressed by the implied commitment to exchange rate stability far more than by any statement of priorities by the monetary authorities.

In its latest forecast of the UK economy, the institute predicts that the recent rise in the exchange rate will cause a sharp reduction in the annual inflation rate from the present 6.9 per cent to 3.5 per cent by the end of next year.

It believes the relatively high level of sterling will tend to throttle the growth of output, which is expected to be almost stagnant during 1986.

Editorial comment, Page 10; Monetary policy, Page 11

NZ to cut personal taxes by average of 20%

By Our Wellington Correspondent

NEW ZEALAND'S Labour Government yesterday announced that it would cut personal income taxes by an average of 20 per cent from October next year as part of what it described as the "most far-reaching reform of taxes and benefits" in the country's recent history.

A controversial 10 per cent value-added or goods and services tax (GST) would be introduced to finance the cuts, Mr Roger Douglas, Finance Minister, told parliament in a budget statement.

Mr Douglas said the Governmem also planned to raise company tax by about 6 per cent, introduce a full imputation system on dividends similar to ones used in Europe, and close tax loopholes.

The proposals are the latest in a series of sweeping economic reforms announced by the Labour Government since its election in July last year. These have included deregulation of the financial community, the abolition of commodity subsidies and the removal of foreign exchange controls.

Many of the reforms aimed at cutting back on New Zealand's soaring fiscal deficit – such as the post-election 20 per cent devaluation of the country's currency – have provoked hostile public reaction as inflation soared from 3.5 to 15 per cent.

The Government of Mr David Lange, the Prime Minister, which had won support for its anti-nuclear stance and resistance to U.S. pressure, suffered a humiliating defeat in a June by-election when it lost a seat that Labour had held for 57 years.

Although yesterday's tax cuts are seen as a sweetener to reduce opposition to the Government's policies, Mr Lange's administration is refusing to retreat on its tougher reforms – such as the introduction of the GST – despite pressure from within its own party.

Mr Douglas told parliament that existing tax policy in the nation of 3m people "is unfair and is seen to be unfair." He said the vast majority of households would be significantly better off after the reforms, despite the introduction of the GST.

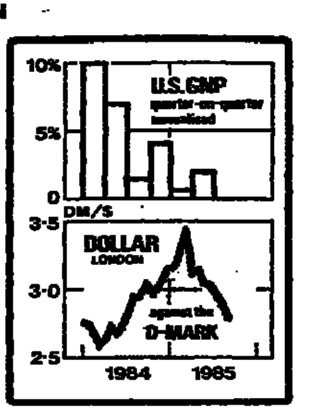
The top income tax rate for those who earn more than NZ$30,000 (U.S.$15,000) will fall from 66 per cent to 48 per cent.

Mr Douglas said that the company tax rate would rise next April from 45 per cent to 48 per cent for resident companies and from 50 per cent to 53 per cent for non-residents.

Australian budget, Page 12

U.S. growth rate 2% in second quarter

BY NANCY DUNNE IN WASHINGTON



THE U.S. economy picked up slightly in the second quarter, growing at a real annual rate of 2 per cent, the Commerce Department reported yesterday.

The revised gross national product (GNP) figure is better than the 1.7 per cent growth rate predicted last month by the Government and beats the 1.3-1.5 per cent estimates of private economists.

While heavy defence spending, lower interest rates and a falling dollar have sustained some of the economy's earlier strength, the Administration's predictions of a strong second-half rebound remain very much in question.

"We're not off and running in the third quarter. We're off and walking," said Mr Robert Ortner, the Commerce Department's chief economist.

Mr Sidney Jones, Commerce Under-Secretary of Economic Affairs, said he expected growth to run at about 3 per cent during the second half, which would bring the annual GNP growth to about 2¼ per cent. Second-half growth at the 5 per cent level predicted by the Administration was not impossible, he said, but not what he expected either. He added: "I might get a phone call for speaking publicly about a slower type of growth."

The new data showed business inventory investment of $2.5bn higher than its July estimate, a potentially ominous signal since the White House has said that the need to rebuild low inventories will be a major cause for an economic bounce-back in the second half.

The Commerce Department also increased its estimates for state and local government purchases, net exports and personal consumption spending. Residential investment was revised downwards along with business fixed investment and federal Government purchases.

The Commerce Department also reported a decline in after-tax profits for the second quarter, the fifth such drop in a row. From April to June profits fell $500m, or 0.4 per

Continued on Page 12

Money markets, Page 25

UK forklift maker buys French group

BY LYNTON MCLAIN IN LONDON

THE KAYE Organisation, owner of one of Britain's largest manufacturers of materials handling equipment, the Lansing group, is to buy one of France's biggest forklift truck makers, Saxby Manutention.

The deal, which is subject to French Government approval, is the second in a year involving the overseas purchase of a French forklift producer: the country's biggest, Fenwick Manutention agreed a takeover by the West German Linde group, number three in the international forklift truck league, last August after going into receivership.

Saxby Manutention is owned by Saxby SA, which in turn is a subsidiary of Otis Elevator, part of United Technologies, the U.S. conglomerate.

It has 13 per cent of the French fork lift market, an area where Lansing has failed to make much impact, with a turnover last year of FFr 338m ($40.5m).

There is some overlap in the product ranges of Lansing and Saxby Manutention. Lansing makes what it calls "the entire range of materials handling forklift trucks." These range from one tonne capacity to 45 tonnes capacity, with electric-powered trucks in the smaller range up to five tonnes capacity.

Saxby Manutention makes electric industrial trucks up to five tonnes capacity, including reach trucks, pallet and counterbalance forklift trucks.

Saxby Manutention had already cut back and restructured its operations before yesterday's announcement but a "further slimming down is under investigation by Lansing."

Continued on Page 12

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Israeli diplomat killed in Cairo

BY TREVOR MOSTYN IN CAIRO AND WALTER ELLIS IN JERUSALEM

GUNMEN SHOT dead an Israeli administrative attaché, Mr Albert Atrakchi, 30, as he was on his way to the Israeli embassy in Cairo yesterday morning from his home in the suburb of Maadi.

Mr Atrakchi's wife and the wife of another Israeli diplomat were wounded and underwent surgery for the removal of bullets at Cairo's As-Salam International Hospital. Their condition was "fairly well," the Israeli embassy said.

A hitherto unknown group calling itself "Egypt's Revolution" claimed responsibility for the killing. In a typewritten statement delivered to an international newsagency in Cairo, the group said:

"Our valiant armed men today, in defence of our freedom and dignity, launched an attack against members of the Israeli intelligence in Cairo." It said the attack succeeded in "sending them to hell, and this will be repeated until the Israelis leave the country."

The statement denounced the U.S. sponsored peace treaty with Israel and said that it had asked President Mubarak in an earlier statement to cancel the peace accords. It urged Egypt's armed forces to deploy along the Suez Canal and in the Sinai Desert "because that is where the real enemy lies."

Egyptian security forces said that three men were involved in the ambush and Mr Abd El-Magid, Egypt's Foreign Minister, said that Egyptian authorities were making every effort to track down the killers. Egyptian police were talking to a witness who had noted down the number of the gunmens' red Fiat.

An Egyptian policeman said that the gunmen followed the attaché in their car and opened fire on him a few yards away from his home. They quoted a witness as saying that one gunman got out of his car, ran to the diplomat's car and shot him through the window at point-blank range.

Police found 17 bullets inside the car and more scattered in the street.

Mr Shimon Peres, Israel's Minister, expressed his "deep shock at this criminal act of terrorism" and said that he expected the Egyptian authorities to take all necessary steps to bring the culprits to justice.

The Egyptian Foreign Minister immediately sent his condolences. Security at the Israeli embassy and other sensitive points in Cairo is to be stepped up.

The incident comes at a time of heightened tension between Israel and Egypt and may have been intended to sour relations further.

A protracted dispute over title to Taba, a 750-yard strip of land near the Israeli Red Sea resort of Eilat, has recently taken on added significance as both sides have allowed ownership to become a matter of national prestige.

Mr Peres is willing to submit Israel's claim to arbitration, as demanded by President Mubarak of Egypt but Mr Yitzhak Shamir, Israel's Foreign Minister, is bitterly opposed to this.

Egypt and Israel exchanged ambassadors for the first time in February, 1980 following the Camp David accords of the prevous year in which Egypt formally recognised the State of Israel.

Relations between Egypt and Israel have been cool since Israel's invasion of Lebanon in 1982.

A similar attack on an Israeli diplomat was made in late 1983

Lebanese Phalangist soldiers ferry the wounded as the bloodletting continues

Rival factions pour hail of vengeance on Beirut

BY NORA BOUSTANY IN BEIRUT

FIERCE artillery and rocket duels paralysed the Lebanese capital yesterday and engulfed mountain villages and the northern coatline in the worst outburst of violence this year as Moslem and Christian gunners unleashed a hail of vengeance against one another.

In the northern port city of Tripoli, a massive car bomb inflicted heavy losses killing 40 people and wounding 85 others. The latest booby-trapped car packed with some 200 kilograms of explosives was the third since Monday and the fifth in less than a week. This recent wave of street terror has claimed 134 lives and 400 wounded since last Wednesday in Christian and Moslem areas.

The barrage of shelling pinned down residents in basement shelters and stairwells for 15 hours in Beirut and its suburbs and continued yesterday against villages and mountain resorts in the Christian and Druze heartland.

The area most affected by the nighttime violence that turned Beirut into a ghost city yesterday was the neighbourhood of Barbour, where Mr Nabih Berri, Shi'ite leader and Justice Minister, resides. Mortars and missiles knocked down power cables, peppered the narrow sidestreets around Mr Berri's home and devastated a small elementary school "Nouvelle Ecole Mazraa" nearby.

Druze gunners entrenched in hill positions and Syrian-controlled mountain ranges opened up with Grad missiles and multiple rocket launchers against the coast of Kesrouan and the Christian hinterland reaching the Christian maronite village of Tannourine, 50 kilometres north-east of Beirut.

Some 30 shells crashed into the airport compound in Beirut slightly damaging two aircraft belonging to the national flag-carrier Middle East Airlines and the cargo airline Trans Mediterranean Airways. Two mortars thudded into the luxurious beach hotel complex of "summerland" at mid-morning.

At least 40 people were killed and scores of others injured. Among them was the 80-year-old wife of the Christian mayor of the Barbour area. A Christian doctor residing in the mixed district just west of the greenline said this was the roughest night he had spent in West Beirut in 10 years of war.

Shi'ite Moslem Amal militiamen clearing the rubble off the streets said they did not want a ceasefire. Security officials said Amal, enraged by the extent of shelling targetted on Mr Berri's house, had rejected truce offers.

The deaths in Tripoli were caused by two explosions three minutes apart in a residential area. A dynamite stick was hurled from a speeding car and as people rushed to the blast scene, a bomb-laden car parked in the area exploded, police said.

The blasts, about 150 yards apart, occurred outside the home of Sheikh Kenaan Naji, leader of Jundullah, the Soldiers of God, who was wounded and taken to hospital. Jundullah is a fundamentalist Sunni Moslem militia armed and financed by the Palestine Liberation Organisation.

The Druze mountain radio reported that 155 mm shells had been fired from Christian-controlled positions in Baabda and locations close to the Lebanese Army Defence Ministry in Yarze.

Beirut's Shi-ite suburbs came under concentrated shelling, which drove scores of families out of their homes to nearby makeshift shelters.

Selim Al Hoss, the Labour Minister, travelled to Damascus yesterday to meet with Syrian officials ahead of a scheduled meeting of the Lebanese Cabinet, which has not met since April 10. Analysts were at a loss to explain the escalation, which has been building up against a background of squabbling over political reforms and intransigence by Lebanon's warring factions.

Thailand's financial pillar of strength under pressure

BY BOUNSONG K'THANA AND CHRIS SHERWELL

OVER THE past two years Mr Sommai Hoontrakul, Thailand's 67-year-old Finance Minister, has acquired a formidable reputation for being able to withstand criticism.

His armour – and his considerable power – are being tested as the domestic economy wilts under austerity measures he has imposed to contain deficits on the external accounts.

Mr Sommai's measures include limits on foreign borrowing, devaluation of the baht, curbs on development spending, a no-growth budget, higher taxes and a credit squeeze.

Most have been applauded by the International Monetary Fund, the World Bank and foreign bankers. But they have irritated Thais who have become used to high rates of economic growth and who feel the Government has gone too far.

This year, Thailand's gross domestic product will be lucky to grow by 4.5 per cent, a floor rarely touched in 20 years of rapid expansion averaging just over 7 per cent annually. The country, a major commodity producer, is suffering not only from its own austerity but also from low world prices for rice, sugar, rubber and tapioca, the impact of the U.S. economic slowdown and the weakening of the dollar.

For all Mr Sommai's efforts at preserving Thailand's economic stability and deserved reputation for prudence, his measures and the latest reversals have made him a target of mounting criticism from within the coalition Cabinet, from opposition political parties, from the powerful military and from local businessmen, bankers and farmers.

His most intriguing battles have been with the military, with which he has crossed swords on three separate occasions. The most public was last November's 14.8 per cent devaluation of the baht.

Gen Arthit Kamlang-ek, the supreme military commander, denounced the decision on television and urged the Government to reverse the decision and dismiss Mr Sommai. The resulting crisis was only defused when Mr Prem Tinsulanonda, the Prime Minister, defended the devaluation.

Mr Sommai also clashed with military interests involved in illegal "chit fund" schemes, which were finally broken this year. Many believe the money they diverted by offering impossibly high returns to depositors helped precipitate a liquidity crunch which hit finance companies in late 1983.

He appears to have been less successful, however, in his third confrontation, over the purchase of a squadron of sophisticated F-16A fighter aircraft. It was this proposed purchase which made Gen Arthit angry over the devaluation, and the order was eventually scaled back.

Mr Sommai maintained, however, that the economic burden would still be too great for Thailand's reserves, and others said there were better and cheaper alternatives. The deal is going ahead nevertheless.

Mr Sommai is very willing to make unpopular moves; he unceremoniously dismissed the central bank governor last year, he has fought the banks over the way they operate and he wants to end inefficiency at state enterprises. It points to considerable courage and self-confidence, but matters are more complicated than that.

The Finance Minister is a technocrat with ties to no political party. He spent nearly 30 years at the central bank, rising to assistant governor, then moved to Siam Commercial Bank, the country's oldest bank, in 1972, before being drafted into government first as Deputy Finance Minister and, from 1981, his present position.

He has always insisted he is not politically ambitious, and to many his willingness to leave office – he has said many times he would like to step down – is probably his greatest strength. More important, he has the support not only of Gen Prem but also of Thailand's influential royal family.

Another of Mr Sommai's assets is the so-called Japanese connection. Educated at Keio University in Tokyo, from which he graduated with a master's degree in economics in 1942, he worked with Japan's central bank for a year. A fluent Japanese speaker, he is well-liked by Japanese officials and businessmen. Less charitable newspaper columnists dub him the "Brutal Samurai" and "Cruel Ninja."

What counts against Mr Sommai, at least in his critics' view, is the fact that he fails to promote his ideas tactfully, making it more difficult for the Government to defend his policies. Some Cabinet colleagues have even complained of not being consulted in advance about some of his decisions.

Certainly he tries to say as little as possible to the public, even on important issues. This is a characteristic which distinguishes him from some of his colleagues, who are happy to push their viewpoints through the local media, often as part of behind-the-scenes argument at higher levels. If anything, Mr Sommai has become more sombre as a result of the complaints against him.

The question, however, is whether the difficulties now facing domestic business might force a shift in overall economic policy. According to one foreign banker, Thailand is already seeing the signs of a spiralling into recession: new investment is declining because domestic interest rates remain too high and confidence is weakening.

Mr Sommai is a pillar of strength, the banker says, but the Government must do more than tinker.

A true recession is not something Thailand has had to cope with in recent history, and it is not something Mr Sommai will have to confront alone: that will be the task of a coalition which has already lasted longer than many of its predecessors. The real test may only be starting.

Sommai Hoontrakul

Egyptian cleric flies to Mecca after release

By Trevor Mostyn in Cairo

THE MOSLEM cleric at the heart of calls for the imposition of Islamic (Sharia) law in Egypt was released on Monday and flown to Saudi Arabia on the following day to perform the Pilgrimage (hajj) to Mecca.

Sheikh Hafez Salama, was detained by Egypt state security police nearly a month ago for alleged anti-state activities. He had been heading a campaign to implement Sharia law in Egypt as a remedy for the country's social and economic ills.

In July several Islamic militants were arrested and president Hosni Mubarak made some tough statements warning that the Government would not tolerate extremist action which threatened the country's stability. Sheikh Salama and a number of his followers were arrested soon after in Cairo, Alexandria and Fayoum.

● Egyptian workers in Libya appear to be following the fate of the Tunisian workers being expelled. A senior Egyptian Interior Ministry official has confirmed that Egypt will be imposing stiff security to deal with the imminent return of thousands of its workers expelled from Libya.

According to the Egyptian Press, a Greek airliner arrived in Cairo on Monday carrying Egyptian women and children returning from Libya.

Tension grows as Tunisia deports 253 Libyans

BY OUR MIDDLE EAST STAFF

TUNISIA has expelled 253 Libyans in what appears to be primarily a reprisal for the massive deportation of Tunisian expatriate workers from the neighbouring North African country by Colonel Muammer Gadaffi's regime.

The official TAP news agency claimed the Libyans had been involved in acts of spying threatening the internal and external security of the Tunisian state.

The announcement was made in an atmosphere of increased tension. TAP reported the violation of Tunisian air space by three aircraft which were said to have flown 30 miles into the country. Tunisia has protested officially to Libya over the incident.

A number of those expelled were said to be acting under the cover of immunities and privileges afforded them as "international officials" or diplomats working for such institutions as the Libyan cultural centre, Libyan Airlines, Libyan consular missions and a Libyan school. Two of them were said to have been caught carrying arms.

The number of Tunisian workers deported from Libya is now calculated at 20,000. Before the mass deportation began earlier this month there were nearly 100,000 Tunisian expatriates there and their earnings were reckoned to provide a livelihood for 400,000 relatives back home. Recently, though, they have been prevented from remitting more than 300 Tunisian dinars (£277) annually.

Tunisian officials are now bracing themselves for the expulsion of the entire community.

Build-up of tension with Tunisia could be a calculated move by Colonel Gadaffi in advance of Libya's celebrations on September 1 of the 16th anniversary of the revolution which overthrew the late King Idris. The Libyan leader recently condemned President Bourguiba of Tunisia as an "ally" of the U.S.

● A UK citizen and employee of Plessey, Mr James Abra, has been held in gaol in Libya for the past two months accused of spying. As yet no formal charges have been brought against him.

Plessey Radar said yesterday that he had visited Libya "specifically to carry out routine maintenance of Plessey equipment which has been installed in the territory for a number of years."

Mr Abra was detained on June 20 and was to have appeared on August 10 before a court in Tripoli, where he is in prison, to face charges of "contravening revolutionary security." That hearing was cancelled but he was later subjected to a secret "closed preliminary hearing" on August 14.

Tokyo mounts inquiry into JAL

BY CARLA RAPOPORT IN TOKYO AND MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE JAPANESE Ministry of Transport intends to conduct a "wide-scale" investigation of Japan Air Lines' management and operations, in the wake of the Boeing 747 Jumbo crash on August 12 in which 520 passengers and crew died.

The accident is also to be subject to a parliamentary transport committee inquiry.

An official of the Ministry said the inquiry into JAL's operations was aimed at reassuring the public that the country's flag airline (it is 34.9 per cent Government-owned) was doing everything necessary to maintain safety. In addition to examining management procedures, it will include inspection of actual company work sites.

JAL has suffered ten "major" accidents over the past 13 years, causing a total of 731 deaths, and the most recent crash was causing "anxiety" to people dependent upon a mass transport system.

JAL itself received the news coolly. One airline employee said such a probe was "a not unfamiliar posture," and had been anticipated by airline officials. Similar official inquiries had been conducted in the past with great banging of gongs and blowing of trumpets.

The last time JAL was subject to such an inquiry was in 1982, after a deranged pilot, apparently bent on suicide, purposely crashed his DC-8 jet into Tokyo Bay while approaching Haneda airport, killing 24 passengers. JAL was then criticised for failing to keep the pilot grounded, but no charges were lodged against the airline.

As the search for human remains from the crash continues, investigators believe that "something other" than failure of the rear cabin pressure bulkhead caused the tail fin to break away.

One suggestion put forward is that air turbulence might have have caused such damage.

The view is that even if the bulkhead had failed (and Boeing's own engineers on the site do not accept that it did, with no evidence found of fatigue or corrosion), the escape of pressure would not have been sufficient to break off the fin.

By midday Tuesday, 488 bodies out of the 520 who died had been recovered, of which 395 had been identified. Rain forced postponement of further work at the crash site.

Squatting MPs evicted from flat in Hebron

By Our Jerusalem Correspondent

ISRAELI soldiers yesterday ended the illegal occupation of an apartment in the Hebron Casbah by seven right-wing members of the Knesset.

The MPs were reinforcing attempts by Jewish settlers in Hebron to re-establish the former Jewish quarter in what is now substantially an Arab town.

Mr Shimon Peres, Israel's Prime Minister, had accused his fellow Knesset members of "mocking the law," which states that settlements must have government approval.

The Defence Ministry had warned the MPs on Monday that they should vacate the apartment. Yesterday, when it emerged that the warning had been ignored, the area was declared a "closed military area," and the seven politicians were escorted out of the Casbah.

Settlement in Hebron, 10 miles south of Jerusalem in the heart of the West Bank, is a highly charged issue in Israel and among Palestinians.

It has been the source of one of the many disagreements between Mr Peres and Mr Yitzhak Shamir, his Foreign Minister, and leader of the Likud bloc. Mr Shamir supports the settlers and is behind all efforts "to redeem the land."

Killers hanged in Zimbabwe

HARARE – Five convicted murderers were hanged at dawn in Harare central prison yesterday after pleas to President Canaan Banana for clemency were rejected, officials said.

The death row prisoners escorted to the gallows included Hephias Ndlovu and Stephen Moyo, two dissidents allegedly loyal to Mr Joshua Nkomo, opposition leader.

They were convicted of murdering three peasants including an infant child in the Hwange district of Matabeleland. AP

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EUROPEAN NEWS

French relations with South Pacific turn sour

BY DAVID HOUSEGO IN PARIS

FRANCE'S relations with the South Pacific—where it still has considerable colonial interests—have taken a substantial turn for the worst with the continuing disclosures of the involvement of the French foreign intelligence services in the sinking of the Rainbow Warrior.

In French eyes there is little doubt that the New Zealand authorities are trying to use the police investigations into the role of the French secret services as a weapon to extract concessions over French nuclear testing on the atoll of Mururoa in French Polynesia.

President Mitterrand's response to that was his declaration on Sunday, in the spirit of General de Gaulle, that nuclear tests would continue as long as France judged them necessary.

At the same time his statement that France was prepared to use force to prevent foreign ships entering French waters in the region during testing has heightened the risk of a clash with local vessels. The Rainbow Warrior, which would have sailed close to Mururoa during the nuclear testing in coming weeks, was to have been accompanied, according to the plans of Greenpeace, by a flotilla of volunteer ships.

The Rainbow Warrior's replacement—called the Greenpeace—which sailed from Holland on Sunday is also likely to attract a following of smaller craft.

[In Sydney a Greenpeace official said that an anti-nuclear flotilla would meet off Mururoa next month, despite President Mitterrand's warnings to keep away.]

At the same time France remains under suspicion in the region for fear of any backsliding over granting independence to New Caledonia. The French right-wing Opposition—which is likely to have a majority in the National Assembly next year—is currently fighting the Government's legislation paving the way for "independence in association" with France.

M Mitterrand's declaration on Sunday to the armed forces put paid to any New Zealand hopes that there might be an early end to French testing in the South Pacific. It was also a slap in the face to the South Pacific Forum—the gathering of 14 regional states—which signed early this month a treaty to establish a nuclear free zone in the South Pacific. They want France, as well as the other nuclear powers, to be associated with it, and have asked the French to cease nuclear testing in the region.

The New Zealand Government's attitude has hardened since the Labour Government of Prime Minister David Lange took office in New Zealand last year on an anti-nuclear platform. It was a previous Labour government under Mr Norman Kirk which in 1975 persuaded the French to shift their testing underground.

Mr Lange's arrival has coincided, however, with the French again testing far more powerful nuclear devices. An explosion in May had a power of 150 kilotonnes according to official New Zealand analyses — making it the most powerful test the French have carried out since 1975. Mr Lange called the test "deplorable" and condemned France's "lack of concern" in the face of regional protest.

The French have carried out about 100 tests on the South Pacific since 1966 when they shifted their experiments from the Sahara. The French view was reiterated again yesterday by M Haroun Tarzieff, the minister responsible for natural hazards, is that the pollution risks are minuscule.

The current programme is designed to test the smaller warheads being fitted to the M4 missile with which the strategic submarine fleet is being equipped and to perfect the warhead that will be placed on the new Hades tactical nuclear missile due to come into service in the 1990s. This autumn's programme is also expected to involve tests on the development of the neutron bomb.

Commercial banks in West Germany drop interest rates

BY JONATHAN CARR IN FRANKFURT

WEST GERMAN banks have begun to drop the interest rates they charge on their credit to customers, following the Bundesbank's action last week in cutting discount and lombard rates by 0.5 per cent each.

Commercial banks announced cuts of up to 1 per cent in the rates they charge personal clients and said there would be cheaper credit for industrial borrowers, too.

The Bundesbank had combined its drop in key lending rates with an appeal to the banking sector to pass on the benefit to clients quickly, thus helping boost domestic economic growth.

The central bank also announced yesterday that it was supplying DM 14.6bn (£3.8bn) in new liquidity to the banks through a securities repurchase agreement, at a rate of 4.60 per cent for 35 days. As recently as March, the interest charged in such agreements had been 6 per cent.

● West German corporate insolvencies totalled 6,783 in the first half of this year, 12.6 per cent more than in the same period of 1984, the Federal Statistics Office told Reuter in Wiesbaden. Sectors most affected were the building industry and services companies associated with it.

The number of construction companies that went into bankruptcy or sought court protection from creditors rose by 21.6 per cent to 1,718 compared with the first half of 1984, while the services sector showed a 21.2 per cent increase to 1,859.

● Volkswagen and its subsidiary Audi are recalling 1m cars worldwide for checks on possible damage to brake hoses, a VW spokesman told Reuter in Bonn. The cars involved are Golf, Jetta, Scirocco and Passat models and Audi's 80 and 100 models.

The makers believe that 350,000 at most of the recalled cars, built between March 1983 and May 1984, have been fitted with brake hoses that may have developed surface cracks and could later cause loss of brake pressure.

Second spy infiltrated via Canada

A second West German secretary to have vanished under suspicion of espionage was infiltrated into West Germany from Canada with a false identity, the Federal Prosecutor's Office said yesterday, Reuter reports from Bonn.

A spokesman said investigators had firm evidence that Ursula Richter (52) moved from Montreal to Bonn in the mid-1960s with the papers of another woman, a classical East German method of smuggling spies into West Germany.

She was the second Bonn secretary to vanish this month following the disappearance of Sonja Lueneburg, who had worked for Herr Martin Bangemann, the Economics Minister, for 12 years.

Frau Richter, who worked for a political organisation with close links to the ruling Christian Democrats, disappeared on Friday. West German intelligence have had her under surveillance as a suspected agent for some time.

More wine arrests

Two more people have been arrested in connection with the wine scandal in Austria, bringing the total to 44, Reuter reports from Vienna. About 900 Austrian wines have been found to contain diethylene glycol, a toxic sweetening chemical used in car anti-freeze.

Terrorist targets

Left-wing terrorists have earmarked 34 U.S. military bases in Europe and Nato headquarters in Belgium for possible attack, the West German weekly news magazine Stern claimed yesterday, Reuter reports from Hamburg. It said the West German police have learned the names of the targets and compiled an eight-page list of the threatened facilities.

Malta-Libya talks

Malta's Prime Minister, Dr Carmelo Mifsud Bonnici, left yesterday for Libya for bilateral talks that could lead to job opportunities for Maltese there, a government spokesman told AP in Valetta. He was accompanied by Mr Dom Mintoff, the former Premier.

Polish officer held

A Polish army officer has been arrested in connection with the detention of Mr Slawomir Bielecki, head of one of Poland's main underground publishing houses, Reuter reports from Warsaw.

Czechoslovaks condemn Eureka

BY PATRICK BLUM IN VIENNA

CZECHOSLOVAKIA yesterday sharply attacked the European high technology co-operation programme called Eureka launched by President Francois Mitterrand of France, saying that it represented a dangerous development for Europe.

The Communist partly daily newspaper Rude Pravo, argued that Eureka and the U.S. Strategic Defence Initiative (SDI), the so-called Star Wars programme, were closely linked and warned that Eureka would not protect European Nato states from retaliation in the event of war. It suggested that many West European companies likely to be involved in Eureka have already been contacted by the Pentagon and will work simultaneously for both projects.

This latest sally is part of an increasingly strident campaign against the U.S. programme by one of the Soviet Union's most obsequious allies, but it is the first outright condemnation of Eureka from an East bloc state.

Eureka, which Rude Pravo described as a European attempt to counterbalance President Ronald Reagan's plan for the militarisation of space, aimed to make the European Nato member states "unpunishable" for a first nuclear strike against the East bloc countries, it said.

"Speculations that militarisation of space in West European colours can protect from countermeasures those in Nato who give the order for a first strike only increases the danger of a nuclear apocalypse of the European continent," it said.

"They fit in with Washington's speculations that a nuclear conflict can be limited to Europe, and the U.S. territory can be spared."

France first proposed the Eureka programme last spring and it was formally launched last month

Prague mutes voice of Moscow

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE CONSERVATIVE-minded Czechoslovak authorities are so far out of tune with the new reformist Gorbachev leadership that they are censoring some Soviet speeches in their official Press, according to Charter 77, the country's human rights group.

In its traditional annual declaration to mark today's anniversary of the 1968 Soviet invasion, Charter 77 says that the Czechoslovak people have been "avidly following recent events in the Soviet Union."

The 1,200 word declaration, copies of which have been seized by police from the houses of some Charter spokesmen in recent days, claims Czechoslovaks "have in particular been reading Mikhail Gorbachev's speeches, and comparing them with the death-like torpor in Czechoslovakia."

"Sharp-eyed observers," it goes on, "have already noticed that some Soviet speeches are censored in our press." Generally, the local press has faithfully reprinted major Soviet policy statements verbatim, especially those taking a hard line towards the West or reform elsewhere in Eastern Europe. The Charter comment suggests Prague's attitude may have grown more selective recently.

The declaration also seeks to draw Prague's attention to the fact that "neighbouring countries with similar social systems," an apparent reference to Hungary and perhaps to Poland, are attempting reform, while in Czechoslovakia "the very expression, reform, is taboo."

Clearly, however, the Charter signatories' main hope lies in Moscow.

Two Charter leaders, Mr Vaclav Havel, a playwright, and Mr Lalislav Lis, a lawyer, were detained last week for 48 hours — the maximum allowed under Czechoslovak law without charges being made — and this weekend Mr Havel was reported to have been detained again.

Memorex transfer to Ireland

By Our Dublin Correspondent

MEMOREX CORPORATION, part of Burroughs, the U.S. computer manufacturer, is to transfer its main computer storage disc manufacturing centre from Santa Clara, California, to the Irish Republic.

The move will mean a doubling of employment in its Dublin plant to 660 and an investment of I£14m (£11m) of which an undisclosed sum will be provided by Ireland's Industrial Development Authority.

The expansion was announced by Mr John Bruton, the Industry Minister, who particularly welcomed the establishment of an engineering centre at the Irish plant. This will concentrate on developing production technology to reduce unit costs at the plant.

The Memorex Irish plant was originally established to manufacutre audio tapes. Mr Derry O'Reilly, Memorex's managing diretcor in Ireland, said the transfer of the main manufacturing to Dublin was a recognition of the competitiveness of the Irish plant and of the ability of the work-force to cope with new technology.

Over 400 jobs have been lost with the closure of the California plant, but the company denied that this was due to uncompetitiveness in the U.S. because of the recent strength of the dollar. Rather it was part of the company's strategic policy of spreading its investments, particularly in the European Community.

Swiss see foreign assets rise

By John Wicks in Zurich

SWITZERLAND'S net foreign assets rose from SwFr 184.5bn (£58.3bn) to a record SwFr 205.3bn (£64.8bn) last year, according to estimates issued by Union Bank of Switzerland.

Total assets abroad increased from SwFr 408.5bn to SwFr 453.6bn, due primarily to a growth in bank assets from SwFr 156bn to SwFr 176.8bn and securities holdings from SwFr 140bn to SwFr 151bn.

Elsewhere, official currency reserves rose from SwFr 44.6bn to SwFr 50.8bn, while in the private sector direct investments grew from SwFr 41bn to SwFr 46bn and insurance investments from SwFr 25bn to SwFr 27bn. Property ownership abroad remained unchanged at an estimated SwFr 1.9bn.

Liabilities showed a much less marked growth from SwFr 224bn to SwFr 248.2bn, the bank claims. Almost half of this total—SwFr 123.4bn, as compared with SwFr 115.4bn in 1983—was accounted for by bank liabilities.

In other sectors, securities held by foreign interests went up from SwFr 57bn to SwFr 68bn, foreigners' direct investments from SwFr 17.5bn to SwFr 18.5bn and insurance investments from SwFr 21bn to SwFr 23.5bn.

Despite stringent controls, foreign property ownership in Switzerland grew further.

Inflation prompts a rash of strikes in Yugoslavia

BY ALEKSANDAR LEBL IN BELGRADE

SOARING YUGOSLAV inflation, outpacing most wage increases, is sparking off a rash of short protest strikes in virtually all regions of the country, from the poorest, the province of Kosovo, to the richest, the republic of Slovenia.

Strike action is a grey area in this Communist country's system, neither legal nor illegal, simply denied any mention in the constitution or legislation. But work stoppages, long a reality of Yugoslav industrial life, have become much more frequent—numbering several hundred a year—as pay has slipped behind inflation, now around 80 per cent a year.

The most recent big enterprise to be hit by industrial action was the Stari Trg mine at Trepca in Kosovo. It is the country's biggest lead and zinc producer and before the Second World War was owned by the Selection Trust.

Complaining of poor pay, over-priced food and bad housing, same 2,000 miners went on strike there last week, on August 13-14, and eventually agreed to go down the pits on August 15 after the management promised to improve conditions.

The local authorities in Trepca said some of the miners' requests were justified, but complained that they had resorted to strike action, and noted that some of the younger workers had "previously worked abroad," as if to imply that strikes were a bad foreign habit.

Some strikes have met with harsher reaction. Eight workers were sacked and 15 others demoted and fined for leading some 500 dockers and port workers out on strike over pay on July 12 at Koper in Slovenia. Of this band of 23, two face expulsion from the Communist party.

Soviet team fails to turn up for seminar in Sicily

A 12-STRONG Soviet scientific delegation, including President Andrei Gromyko's son, failed to turn up yesterday for the start of a seminar in Erice, Sicily, on nuclear war. According to Sig Giulio Andreotti, Italy's Foreign Minister, their absence could be linked to the disappearance of a Soviet diplomat in Rome, Reuter reports.

He told the seminar that he interpreted their absence as a "precautionary reaction" caused by current events in Italy. He specifically mentioned the disappearance of Mr Vitaly Yurtchenko in Rome on August 1 and referred to recent Mafia violence in which three policemen were killed in Sicily in the past month.

Mr Yurtchenko, a security specialist who the Soviet embassy in Rome said was based at the Foreign Ministry in Moscow, was last seen leaving a Soviet residence in the Italian capital. Press reports say he was to have looked into security preparations for the Erice seminar.

A spokesman at the Soviet embassy said the embassy was not aware of plans for the scientists to attend the Erice seminar, an international forum now in its fifth year.

The Erice seminars are one of the few forums where scientists from the two superpowers have met to discuss nuclear studies. It was also seen as a personal blow to Sig Andreotti, a strong supporter of the seminars.

Senior officials sacked by Georgia party

A MEMBER of the local politburo in the Soviet republic of Georgia has been sacked in a series of changes following the departure of the Georgianparty chief, Mr Eduard Shevardnadze, for Moscow to become Foreign Minister, Reuter reports.

Mr Soliko Khabeishvili (50) was sacked at a meeting of local Communist party officials at the weekend, according to the official newspaper Zarya Vostoka.

The report said he was dismissed for "shortcomings in his work." Mr Khabeishvili, who was also a secretary of the local party central committee, is the most senior Georgian official to be removed.

Kevin Done joins the Swedes in a national eating obsession

Sweden goes on a crayfish binge

A GENERAL election is supposed to be in full swing in Sweden, but for the moment Swedes are obsessed with something far more important, the arrival of the first *kräftor* freshwater crayfish.

It is rare to find the normally taciturn and austere Swedes driven to fits of abandon, but for a few weeks towards the end of each summer they abandon reserve, don silly paper hats and special bibs, sit outdoors under Chinese lanterns and indulge a national passion for the crayfish.

The arrival of the first ones takes on all the ritual of the shooting of the first grouse on the Scottish moors. The wire cages used for catching the crayfish cannot be lowered into the water before 5 pm on the second Wednesday of August, and the crayfish cannot be eaten before midnight.

The first crayfish caught in Swedish waters arrived in Stockholm shortly after midnight under police escort. Some grocery stores stayed open into the early hours to sell frozen imported crayfish released by the midnight deadline.

A consignment of fresh crayfish was flown in from Greece by special air charter and was cleared by Customs just after midnight for speedy delivery to the capital's leading restaurants.

Crayfish has become an international industry for the Swedes. They have had to scour the world for supplies since a particularly virulent "crayfish plague" began gradually to wipe out local stocks in the early 1900s.

Home-caught *kräftor* have taken on the exclusivity of Beluga caviar, costing five or six times as much as imported crayfish.

Last year the Swedes imported nearly 3,000 tonnes of crayfish, worth around SKr 80m (£6.9m). The supplies came chiefly from lakes high up in the mountains of central Turkey, but deliveries were also taken from several other countries including the Soviet Union, Romania and Greece.

Six Turkish processing plants keep the Swedish market supplied. The Swedes send out inspectors to control quality and ensure that the crayfish comply with the strict Swedish legislation covering catching and processing.

The normally taciturn and austere Swedes are not given to fits of abandon, but the arrival of the crayfish-eating season can even detract from a national election campaign. Uppermost in the population's mind at this time of the year is the donning of paper hats and special bibs to indulge in the messy national passion for tasty crustaceans.

The crayfish must be at least 9 cm long before they can be caught in Sweden or imported into the country. They must be boiled in very salty water to kill botulism, and the whole process of boiling, pasteurising, packing and freezing should take place in less than one hour, according to Mr Ulf Kåverud, a Stockholm fisheries inspector.

The Turks have caught on fast to the demands of the Swedish market, which also expects crayfish to be boiled with plenty of dill, a favourite Swedish herb which is served with everything from boiled potatoes to marinated salmon.

Mr Kåverud, in his role of crayfish inspector, regularly visits the Soviet Union. At Astrakhan on the Volga delta close to the Caspian Sea, the Russians are building one of the world's biggest crayfish processing plants and hope to turn out up to 5,000 tonnes of crayfish a year. The Swedes are advising, with a view to opening up a new source of supply.

Sweden has turned to the other superpower in its search for ways of overcoming the growing threat of "crayfish plague," a parasitic mould that has attacked the sensitive domestic crayfish stocks.

They are importing live signal crayfish from the waters of Lake Tahoe and the Sacramento river in California for release in domestic waters. The *signal-kräftor* are stronger than their Scandinavian cousins and more resistant to disease.

They are flourishing after 25 years in Swedish waters and the annual catch is rising fast. Fifty tonnes of signal crayfish were caught last year and optimistic forecasts suggest that this could rise to more than 250 tonnes by 1990.

Eating the crayfish is no easy task. The Swedes, Finns and Norwegians usualy eat them cold along with toast and butter, vodka, beer or white wine, but the whole process has to be accompanied by loud slurping noises as the juice is sucked out. One Stockholm newspaper greeted the start of this year's crayfish festivities with the headline: *Sluurp, Sverige!*

Some purists try to observe the rule that with every crayfish tail eaten a drink has to be taken—the more ambitious say a drink per claw is the rule — but clearly Scandinavians find the accompanying alcohol one of the crayfish's great attractions.

"The alcohol helps remove any inhibitions that may spring from the noisy, sloppy business of eating crayfish," says one recipe book simply.

As if the crayfish were not enough, the start of the season this year—a little later than usual—has coincided with the season for eating *surströmming*, sour Baltic herring.

Fish merchants in Sweden tried in vain earlier this year to get the Government to amend the legislation controlling the launch date for either crayfish or *surströmming*. The double event was simply too much, they complained; it was like celebrating Christmas and Easter on the same day.

AMERICAN NEWS

Pinochet quashes rumours of paramilitary plot

BY MARY HELEN SPOONER IN SANTIAGO

GENERAL Augusto Pinochet has denied rumours of anti-government plotting within Chile's paramilitary police force, the carabineros.

Speculation of unrest among the carabinero high command has arisen in the wake of revelations of police participation in the kidnapping and murder of three left-wing Chileans earlier this year.

An investigator appointed by Chile's supreme court indicted two carabineros and has prohibited 12 others from leaving the country while the inquiry is under way.

The scandal prompted junta member and carabinero commander General Cesar Mendoza to resign from the government on August 2.

He was replaced by Gen Rodolfo Stange who has announced that the carabineros plan to take legal action against "those who defame us."

Last week authorities announced that five carabinero generals, 17 colonels and seven lieutenant-colonels were to be retired as part of a general restructuring of the force's officer corps.

The following day, the Chilean capital was rife with rumours that disgruntled carabinero officers were gathering in their headquarters to discuss possible action.

Gen Stange, presiding at a ceremony swearing in seven new carabinero officers, said on Monday that any such gatherings had been merely social in nature.

Nevertheless, Gen Pinochet and at least two members of his Cabinet felt prompted to comment on the rumours of carabinero unrest. During a three-day tour of Chile's southern region Gen Pinochet said the only person in a position to lead a military insurrection was himself.

He also warned that his regime would not tolerate "slander against the armed forces" and insisted that the situation in the country was "perfectly controlled."

Pepsi launches cola war counter attack in 20 cities

BY JAMES McDONALD

ADVERTISING wars between washing powder manufacturers pull few punches but they pale compared with the battle between the two leading U.S. cola manufacturers—Coca-Cola and Pepsi-Cola—for an estimated $50bn (£35.7bn) a year world market.

Pepsi-Cola, in second place to Coca-Cola, yesterday arranged Press conferences in 20 cities throughout the world to claim that Pepsi was the better product.

In London, Pepsi said it had imported a few cases of the new formula Coca-Cola, rejected by some U.S. drinkers. It is to be introduced into the UK later this year.

"We've only got a few cases, but that should be enough. We don't expect many requests for seconds," journalists were told by Mr Peter Kendall, regional vice-president of Pepsi-Cola (Northern Europe).

Statistics are available from both companies but the only point on which they seem to agree is the size of the international market—about $50bn a year.

Pepsi claims a sales ratio of two Pepsi's to three Cokes. Coca-Cola said yesterday that it outpaced Pepsi by four to one.

Speaking about speculation that Pepsi was about to launch a new product, Mr Kendall said: "We will continue to rely on our superior taste as our greatest asset. The taste is too good to change." It was winning the cola wars, he said.

Mr Kendall revealed that 22m "Pepsi Challenge" taste tests had been carried out throughout the world and that 60 per cent of the tasters had chosen Pepsi.

Tim Coone reports on Managua's strategy for surviving the hard times ahead

Unity helps Sandinistas carry burden of war

THE SMALL red and silver badge worn by the Sandinista Party militant is a symbol of prestige and even awe in Nicaraguan society, but it is also the surest guarantee of a summary execution for its owner if caught by the U.S.-backed counter-revolutionaries.

Such was the fate of 11 party members captured in a guerrilla attack in the town of Cuapa in the centre of the country on August 2. Several of the bodies showed signs of torture.

A recent shake up in the party has emphasised that its ability to maintain the discipline and quality of its militants will now be the fulcrum on which pivots the fate of the Nicaraguan revolution.

Whether it succumbs to the mounting economic crisis and guerrilla war, will depend on whether it can steer the country through what will inevitably be even harder times ahead, until there is a sign of a policy shift in Washington.

Sandinista soldiers rest by the roadside. Behind them, on the wall, a painting of Augusto Cesar Sandino, Nicaragua's national hero

President Daniel Ortega, the head of state, has now been officially named head of the party. The party structure has been integrated with local, regional and national government as part of an overall centralisation. A streamlined executive committee has been formed with five of the top nine Sandinista leaders, or commanders, to give added administrative weight to presidential directives.

Commander Bayardo Arce, the top party political organiser and second to President Ortega in the party heirarchy, says: "What we have done is to unite the party more with the Government. What the state now decides to do to confront the war situation, now automatically becomes the work of the party in support of the state."

The recent approval by the U.S. Congress of $27m (£19.56m) in "humanitarian aid" to the rightist guerrillas left the Sandinistas in no doubt that the war will escalate this year and that the economic situation can only further deteriorate. It was a fundamental reason for the shakeup.

"All the national life is now determined by the course of the war," says Commander Arce. "On the one hand we were planning as the Sandinista Party and on the other as the Government and at times the planning was not coinciding with objectives. We needed a unified structure to be able to maintain peace in the Pacific region, to confront the war in the north, and at the same time be prepared for a U.S. invasion."

Any hint of disunity in the party is quickly dismissed by Commander Arce.

It is remarkable that the Sandinistas have maintained unity after six years in power, given the spread of political tendencies within the party which Commander Arce admits "harbours in its bosom Marxists, revolutionary Christians and pro-revolutionary liberals."

Any suggestion in Managuan cocktail party gossip of a fissure in the leadership is readily seized on by U.S. embassy officials and it makes the Sandinistas careful not to wash their dirty linen in public.

After all, it was the violent split in Maurice Bishop's New Jewel movement that precipitated the U.S. invasion of Grenada in 1983. It would not be unreasonable to assume that if the Sandinistas were to lose their unity, the Reagan Administration would not miss the opportunity to try to shake the Sandinistas from power.

However, if heated debate takes place behind closed doors, the party remains united in public around a strategy for survival in which, says Commander Arce, "we have withdrawn the term 'socialism'."

The Sandinistas have always portrayed themselves as the standard bearers of the working class and poor peasants. But Commander Arce admits that today "what we are doing is administering the class struggle" rather than leading it. "We have come to believe that the private sector has a strategic role to play. This immediately creates a contradictory situation in that there is always going to be an owner and an employee, and the owner is always going to earn more than the employee."

> It is remarkable the Sandinistas have maintained unity given the spread of political tendencies in the party which "harbours ... Marxists, revolutionary Christians and Liberals."

The party strategy, he says, is to ensure the private sector's survival at the same time as eliminating "extraordinary profits" and defending the minimum needs of the working people.

"We have to ensure social harmony in the middle of a very difficult situation," he said.

It is around the issue of the division of the national pie in a mixed economy that the greatest potential area of conflict lies within the party, and where the greatest need for unity is now emphasised.

Growing economic pressures in the months ahead will lead to political pressures from the rank and file, and will strain party militants in the trade union movement in particular. being conscious of falling living standards.

The burden of the war is such that from a rough calculation based on official statistics, real wages have fallen by more than 50 per cent in the past three years. Heavy price increases on a range of basic foodstuffs and services in recent months has accelerated the fall and there is little prospect of a short-term improvement.

Commander Arce says that coming wage increases will not be able to keep pace with inflation and is well aware of the danger to party morale. "It is not easy to ask people to give up not only their aspirations, but also things they have already gained, and to appeal for more voluntary work.

"It is a difficult job at party level, but a job that everyone in the Sandinista Party must do. If the state supports, let's say, the natural feeling of the workers, in two to three months business would be bankrupt.

"Our fundamental right of self-determination is a right which we believe all the countries of all the political systems of the world identify with, and there is sufficient willingness from among them to help us subsist.

"It is a question of time, to have the capacity to resist, to defeat the aggression. Once the aggression ends, then will begin the opportunities to overcome our economic crisis."

The introduction into the war this month of the six sophisticated MI-24 helicopter gunships, reputedly one of the most stable and accurate aerial gun platforms in the world, reflects the urgency to defeat the guerrillas and end the war. The army claims to have killed 100 Contras in one day last week primarily through the use of the new helicopters.

Commander Humberto Ortega, the Defence Minister, said last week that thousands more people are to be mobilised shortly to press home the strategic advantage the army has gained over the Contras this year. The armed forces claim to have killed about 3,000 guerrillas since the beginning of the year.

On the civil front, the party's 30,000 members are gearing themselves for the task of persuading the country's workers to accept and support what will be unpopular economic decisions by the Government. It will undoubtedly be the surest test of the party's strength and ability to survive.

"The Sandinista militant has to be the first to make the sacrifices. If he is not prepared to do so, he leaves. The representative of the party has to be setting the example in the things we are asking of the people. If the militants of the party stop having these qualities then the possibility of leadership is lost," says Commander Arce.

It is a thankless task of selfless dedication for the party militant, but it is ultimately the source of the Sandinista's strength and power. It also explains why the badge-wearing militants in the war-torn zones in the north and centre of the country expects and receives no quarter, if they should allow themselves to fall into the hands of the guerrillas.

U.S. plays down hopes for summit

By Reginald Dale, U.S. Editor in Washington

THE U.S. is continuing to play down expectations for the November meeting between President Ronald Reagan and Mikhail Gorbachev, the Soviet Leader, apparently resigning itself to a prolonged period of chilly relations between the superpowers.

Mr Reagan is prepared "patiently, methodically, to take small steps forward," said Mr Robert McFarlane, the National Security Adviser, in a speech in California on Monday night. But he warned that the summit was unlikely to conclude a great number of agreements.

"Without some change in the Soviet approach to security issues, in fact in the thinking that underlies it, I fear that even incremental improvements will be extremely hard to reach," Mr McFarlane said.

Mr McFarlane said there was no need for the U.S. and the Soviet Union to be "locked in permanent hostility." He added, however, that the U.S. did not "plan policy in the expectation of transforming East-West relations—that will not happen in our lifetime."

There were a number of fundamental questions about the real aims of Soviet policy that Mr Reagan might raise with Mr Gorbachev, Mr McFarlane said. These included the Soviet occupation of Afghanistan, Moscow's support for Libya and Cuba, its apparent refusal to discuss a chemical weapons treaty and, above all, human rights in the Soviet Union.

While Mr Reagan will be free to raise the human rights issue at the summit, it is far from clear that he will succeed in making it a specific agenda item. The two sides have provisionally agreed that the two leaders will meet in Geneva on November 19 and 20 for nine hours of formal talks

Mr McFarlane criticised Moscow for "a masterpiece of chutzpah," in attacking the U.S. Star Wars space defence programme while undertaking an "extremely large" research effort of its own.

Turning to Afghanistan, Mr McFarlane said: "Today, 120,000 Soviet soldiers there are waging the most brutal war now under way on the face of the earth. For what? It's not so easy to say."

WORLD TRADE NEWS

Mission seeks boost in Chinese wool sales

By Anthony Moreton, Textiles Correspondent

A TOP-LEVEL team from the International Wool Secretariat, marketing arm of the world's wool growers, lands in Peking today in an effort to sell more wool within China.

Dr John McPhee, managing director, and colleagues are to have talks with ministers and officials of several government departments before flying to Shanghai for the opening of an important trade fair on Monday at which the IWS will be strongly represented.

The IWS has already licensed more than 80 producers in China to put the Woolmark, the symbol denoting the use of 100 per cent pure new wool, on their clothes. These Woolmarked goods are almost entirely bound for export.

The delegation's visit, which will be backed by a presence at a further trade show in Peking at the end of next month, is intended to get more wool used in domestic consumption.

China consumes just under 150m kg of wool a year. The IWS hopes this can be boosted to 172m kg within two years, at which point China would be the most important consumer of wool and woollen clothes in the world.

By the early 1990s the IWS hopes to push the total up to around 190m kg. Even at this level wool would only account for a tiny percentage of total fibre use in China, where production is dominated by cotton.

"The potential in China is enormous," Dr McPhee stated. "Although the quality of the clothes they produce is low at the moment, the same was true of Italy 25 to 30 years ago and now the Italians are the foremost in the field."

Nakasone pledges to ease trade friction

MR YASUHIRO NAKASONE, the Japanese Prime Minister, has told a U.S. Congressional delegation visiting Tokyo that he would do his best to ease trade friction between the two countries, Agencies report.

The seven-member U.S. group led by Mr Robert Dole, Senate majority leader, warned Mr Nakasone that "time was running out" in the simmering dispute, which has been exacerbated by Japan's persistent trade surplus with the U.S.

GREEK GOVERNMENT SEEKS NEW LICENCE TERMS

Offshore consortium in row over Aegean drilling ban

BY ANDRIANA IERODIACONOU IN ATHENS

A ROW is brewing between the Greek Government and the North Aegean Petroleum Company (NAPC) over drilling rights in the concessional area.

NAPC is an international consortium, led by Dennison Mines of Toronto, set up in 1976 under a licensing agreement with the then Greek Government to develop offshore oil and gas discovered near the island of Phassos.

NAPC reportedly filed a suit in the Athens Court of First Instance on August 13. over a Government ban on drilling a new exploratory well at a site between Kavala on the mainland and the port of Prinos on Phassos, within the concessional area. A hearing has been scheduled for Monday.

The company is understood to have informed the state-run Public Petroleum Corporation (DEP) that it intended to begin drilling in a letter on May 30, three days before general elections in Greece which were swept for the second time running by the Socialists. The Government is then said to have instructed the Kavala harbour master to prohibit the moving of a rig, contracted by the NAPC at an estimated cost of $30,000 (£21,000) a day, from the port to the proposed well site.

NAPC officials in Athens declined to comment this week on the conflict with the Government. The company is, however, said to regard the ban on the new drilling as a unilateral violation of the terms of the licensing agreement. This agreement was struck with the conservative administration which took over after the collapse of the military dictatorship in Greece in 1974. Negotiations for mineral prospecting in the Aegean originally started under the junta.

Mr Prokopsis Sivenas, DEP's chief executive, said that the Government was unhappy with what was seen as "a lack of co-operation" by the NAPC, in renegotiating the terms of the agreement. According to Mr Sivenas specific renegotiation proposals were put to the NAPC in writing by the Government in early 1985, but has so far not drawn "any concrete response" from the company.

Mr Sivenas said the Government wanted to secure "a more active role" for DEP in oil and gas exploration in the Aegean, as well as to improve profit-sharing terms.

Under the original licensing agreement, the contractors are entitled to 70 per cent of the returns on production for the first five years, and 40 per cent after that.

The remaining production or returns is shared 65 per cent to 35 per cent between the Government and the contractors. Production of oil and gas in the north Aegean began in mid-1981. The Prinos oil field supplies about 12 per cent of Greece's 8m tonne or so annual crude oil needs.

The concessional area is made up of the Prinos and Kavala basins to the west of Phassos and the Nestos River basin to the north east. However, a special *force majeur* situation — which the NAPC has abided by — pertains to the politically sensitive waters east of Phassos.

This has to do with a 1976 agreement between Greece and its rival neighbour Turkey, to refrain from provocative activities — mineral prospecting, for example — in contested parts of the Aegean until an existing continental shelf dispute between the two countries is settled.

The Government is understood to be using the *force majeur* argument to back its ban on the new exploratory drilling, though the proposed site is reported to lie to the west of Phassos. in uncontested Greek waters.

According to Mr Sivenas, the NAPC was informed by the Goverment in 1982 that *force majeur* would henceforth apply to the entire concessional area —not in connection with the dispute with Turkey, but "in the context of the Socialist Government's view" of the petroleum sector.

GEC Avionics doubles U.S. displays order

By Michael Donne, Aerospace Correspondent

GEC Avionics of Rochester has won a further $75m (£53.6m) of contracts for supply of aircraft head-up displays for the U.S. General Dynamics F-16C and F-16D fighters.

These are in addition to the initial $75m contract for such displays, announced in May, and will ensure continued production until the end of this decade.

The head-up displays enable pilots to fly normally without looking down at instrument panels, because vital instrument details are reflected in the windscreen in front of them. The GEC Avionics system enables pilots to fly at low heights at night.

The company has supplied General Dynamics with these systems for all versions of the F-16, involving the supply of some 2,500 systems.

● Rolls-Royce has won a $1m contract from the U.S. Air Force for the repair and overhaul of General Electric TF-34 military aircraft engines in service in Western Europe.

The 2½-year contract is the first of its kind placed by the USAF in Europe, and will cut the USAF's costs and shorten its supply lines in Europe.

Mr John Ferrie, the plant's director, said: "The order was won in the face of fierce competition from other companies in Europe."

Lynne Richardson in Tel Aviv reports on the effects of defence budget cuts

Israeli arms industry turns to export orders

THE ISRAELI arms industry is having to rely increasingly on exports as orders from the country's armed forces dwindle in the face of attempts to reduce Israel's huge defence budget.

The industry, which is a major employer, fears that jobs may be in jeopardy because of the cuts.

Israeli Shipyards has just been thrown a $6m (£4.3m) lifeline by the Government to help it out of its cash flow problems during a period in which demand has slumped.

It is still hoping for an order for three submarines from the Israeli navy. Such a project would require U.S. assistance but the idea for a joint venture has brought opposition from the U.S. yards, which are also suffering from a shortage of orders.

As the country tries to cut its crippling defence budget, other branches of Israel's arms and aviation industry are feeling the pinch and looking for new markets.

Israel Aircraft Industries, the country's largest industrial employer, is struggling against political and economic forces which are seeking cancellation of the Lavi project.

The Lavi, a new-generation fighter, is estimated by Israel to cost $2.9bn to develop and each aircraft will cost $14m-$16m. American experts put the cost at considerably more.

The company is also offering to upgrade both the Dassault-Breguet Mirage series and intends to refit the Phantom F-4 with the same Pratt and Whitney PW 1120 engine that is to power the Lavi.

Israel's Defence Ministry has recently published a guide to arms available for sale which contains the Merkava 2 tank, unveiled in October last year.

The guide also shows that Israel has military attaches and representatives of the Defence Ministry's arms exporting unit in 16 countries, including Argentina, Brazil, Chile, Peru, Singapore and Thailand.

Latin American countries have been regular customers of Israel, but ran into payment problems which caused Israel, at one point, to threaten to refuse new orders. This had repercussions at home with worries of layoffs in the industry as the order book shrank.

Some of the outstanding debts owed by Argentina and other Latin American countries were offset by barter deals.

The Government has set up the Industrial Co-operation Authority, which deals mainly with military products and the implementation of the compulsory "buy-back" clause included in every purchase of more than $50,000 made abroad by Government agencies.

Suppliers are required to buy back 35 per cent of the amount of the sale in Israeli goods or services.

Recent publications of Strategy magazine, the Arab monthly, listed no less than 45 countries that had purchased Israeli arms during the past 10 years. According to the journal, this information is based on security and scientific sources, such as the London-based Institute for Strategic Studies.

China is included in the Strategy listing. Sources in the U.S. Defence Department date the co-operation as beginning in 1980 and extending to the procurement of 105 mm tank guns, overhaul of the T-54 tank fleet, which is estimated to number some 9,000 vehicles and equipping them with Israeli-made equipment.

The appearance of Israeli-made guns on Chinese tanks at the traditional May Day parade this year caused a flurry of interest.

Israel is also assisting China with plans for advanced military production, to lead to the development of air-to-air, ground-to-air, sea-to-sea, and anti-tank missiles, the journal says. It adds that Israel is helping China in the spheres of electronic systems and ammunition.

The memorandum of agreement that Israel has signed with the U.S. has given Israeli companies access to the lucrative American arms market, but the Israelis have not been too successful there so far.

Mr Schlomo Nir, whose company Tadiran has had more success tha nmost, speaks of the difficulties involved in selling in the U.S., not least the need for an American partner.

"Such a partner is hard to find," he says, "More often than not he's a competitor."

Tadiran, Israel's largest electronics concern, employs some 12,500 people and manufactures a full range of tactical radios and strategic communications systems. The company is working with IAI to jointly produce a pilotless drone to replace the Mastiff and Scout models previously marketed by the two companies in direct competiiton.

But the Israelis are having to learn about penetrating the American market. As Mr Zvi Plada of the Manufacturers' Association makes clear: "We have to succeed. The orders from the Israeli Government are drying up and we have to keep our factories functioning."

ISRAEL SHIPYARDS, beset by cash-flow problems and suffering from the worldwide drop in demand for new tonnage, has been offered $6m (£4.3m) by the Israeli Government to tide it over until next year.

The Israeli Cabinet, announcing the aid, added that 250 of the workforce would have to be dismissed. It also warned that if hoped-for contracts were not forthcoming shortly, the fate of the country's only commercial shipyard would be reassessed.

Mr Mordechai Zippori, board chairman, said he had a large tender out "in the Far East"—which is thought to be with Singapore. Israel Shipyards is still hoping for a joint-production project for the construction of three diesel-powered submarines for the Israeli navy.

The Israeli yard, however, has no facilities or experience in building submarines and would require assistance from the U.S. Navy. Mr John Lehman, U.S. Navy Secretary, was in Israel earlier this year and spoke positively of a joint venture.

This has run up against serious opposition from shipyards on the American West Coast, which are suffering from a shortage of orders.

The U.S. Congress, under pressure from this quarter, recently passed an amendment that would appear to dash Israel's hopes, but Mr Zippori remains optimistic. "Maybe," he said, "we will find an American partner, so that the work can be divided between us."

Poland's tourist earnings increase

By Leslie Colitt in Warsaw

POLAND IS experiencing the largest influx of Western tourists since 1979 as the country unveils plans to expand its hard currency earnings from tourism.

Some 400,000 visitors from what is officially called the "convertible payments area" are expected to enter Poland by the end of this year, some 60,000 more than in 1984. Reports in the West of a general lack of hardships for travellers have contributed to the growth. The biggest jump this year has been in group travel to Poland which rose 40 per cent over last year and which makes up 25 per cent of total tourism.

However, Poland still has some way to go before it climbs back to the 600,000 Western tourists recorded in 1979, the last year before the rise of the Solidarity union which led to years of tensions between the population and the authorities. The tourist high mark is expected to be equalled by 1987 or 1988.

Orbis, the country's national travel agency, says it is aiming for a 10 per cent increase to $40m in its hard currency earnings from tourists this year.

Poland's real earnings from tourism, however, is considerably greater as most of the visitors to the country are individual travellers. They include many ethnic Poles, specially from the U.S., visiting their relatives. These visitors buy tickets for Polish airlines flights and other services from Orbis and exchange the obligatory £15 per day amount into Zlotys. But for much of their stay in Poland they live with their relatives instead of in hotels.

West Germans alone make up 50 per cent of Western visitors to Poland. Mr Jan Rudomina, commercial director of Orbis, noted that West Germany remains Poland's most stable tourist market "irrespective of the political and economic situation." Polish-Americans and other U.S. citizens make up between 15 per cent and 20 per cent of visitors

Du Pont's Taiwan deal

Taiwan has approved an application by Du Pont, the largest U.S. chemicals group, to set up Asia's first titanium dioxide plant, Reuter reports from Taipei. The chemical is mainly used in making paper, paint, plastics and fibres.

Merchant banking is a success story that only one bank could write:

Bankers Trust.

Euromoney, June, 1985

The change from commercial to investment banking requires a cultural transformation. Bankers Trust has made it; others still have to cross the divide.

When most US money ce... banks set out a decade and...

Montgomery Securities, November, 1984

As we have stated in numerous written reports in the past, Bankers Trust has emerged as one of the best managed money center institutions.

Bankers Trust is an organization very much in control of its destiny.

Results for the thre...

Forbes, January 14, 1985

Among the big banks, Bankers Trust held on to its number one slot in profitability. Over the past several years, Bankers has changed its strategy, dropping full-service operations to specialize in serving big commercial borrowers. The success is remarkable. Just fou...

Other U.S. banks might have seen and seized the opportunities of merchant banking. But only one bank did: Bankers Trust.

As we conceive it, merchant banking is a blend of commercial and investment banking with enormous potential for us and for our clients. It combines the lending capabilities and breadth of non-credit services of a commercial bank with the intermediary skills and entrepreneurial spirit of an investment bank.

Today, Bankers Trust stands alone as a worldwide merchant bank.

The success of our efforts has been widely reported in the financial press. And by other financial institutions. Some of those reports are reprinted here.

That success can also be measured by our increasingly powerful presence in some of the most competitive areas of banking. Some examples:

Leveraged leasing. For two straight years, we have arranged more leveraged leases than any other financial institution.

Swaps. Last year, our team of swaps specialists in New York, London and Tokyo completed more than 350 interest rate and currency swaps with counterparties in 27 countries.

Private placements. In 1984, Bankers Trust completed over $2.2 billion of corporate private placements, master notes and medium-term bank CDs. This puts us among the leaders in this form of financing.

Commercial paper. We were the first money centre bank to act as agent for commercial paper.

Our customers now have nearly $3 billion outstanding. Only a handful of investment banks—and no commercial bank—exceeds this volume.

Loan participations. The bank maintained a world leadership position in 1984 by granting more than $7 billion in loan participations.

Trading. We execute over $12 billion in money, securities and currency transactions daily. Today, we are one of the five largest primary dealers in U.S. government securities.

Investment management. We are responsible for the investment of over $40 billion in employee benefit and personal trust assets. Investment management clients include over 100 of the world's major corporations and public sector entities.

Eurosecurities. In 1984, Bankers Trust lead managed $2.2 billion and managed $15 billion more in Eurosecurity offerings. We are a market maker in over 500 fixed- and floating-rate Eurobonds.

Employee benefit, custody and corporate trust services. Through these three businesses, approximately half a trillion dollars is now under our care, making us an industry leader.

Such dominance, in so many markets, was not easily won.

Nor could it have been won without clients who were quick to apply the advantages of merchant banking to their own financial affairs.

Merchant banking is a remarkably versatile style of banking. Our merchant bankers respond quickly to changing customer needs, and adapt to change in the financial world itself.

It is through this versatility that we expect the success story of merchant banking to be continued. This year, next year, and in the years beyond.

THE ECONOMIST, March 24, 1984

The strategy has paid off ... Bankers Trust is rated by corporate treasurers among the first ranking corporate banks—achieved by a mixture of bringing in aggressive young bloods from Wall Street, paying well and changing the "culture" away from the cosy atmosphere of a commercial bank.

It was this consideration which prompted Bankers Trust ... investment ...

Shearson Lehman/American Express, October, 1984

We believe Bankers Trust is a growth company. Its record over the past six years has clearly demonstrated this fact. We also believe that the creation of a highly geared, highly paid management team at both the upper and middle echelons has contributed meaningfully to the company's strength.

Therefore, we tend to think...

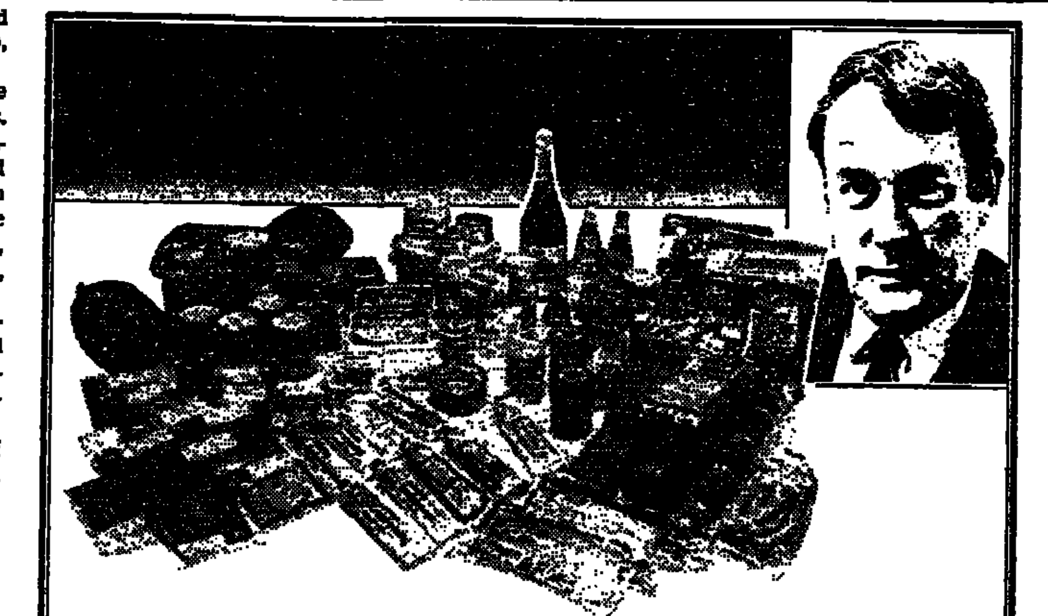
Bankers Trust Company

Dashwood House 69 Old Broad Street London

Merchant banking, worldwide.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Rolf Galme: "We are trading on the strength of our brand names"

Why Volvo has an appetite for food

One of the Swedish auto group's divisions is on the acquisition trail. Kevin Done reports on a growing area of diversification

VOLVO is proud of the standard of its chip production—potato, that is, not silicon.

"In Sweden we make the French fries for McDonald's. They are one of the most difficult buyers in the world, and we are among the few European companies approved to make Macfries," says Rolf Galme, managing director of Provendor, the Volvo food subsidiary.

Volvo also churns out hamburgers—20,000 an hour—and sausages—75,000 an hour. Provendor is in meat, fish, vegetables and drinks.

Provendor has 95 per cent of the Swedish market for natural mineral water—in Sweden you can forget Perrier, it is its Ramlösa that rules—it supplies 60 per cent of the Swedish market for processed herring, 75 per cent of the pickles market and it is nearly three times as big as Heinz in tomato ketchup.

Pickles and French fries are hardly likely to rival the production of cars, trucks, buses and aircraft engines in the Volvo group, Scandinavia's biggest industrial corporation, but the group has decided that food can be an important strategic market for the future.

For more than a decade one priority of Volvo corporate strategy has been to find new activities which could shield the group from the cyclical vicissitudes of the automobile industry. "A broader range of activity reduces vulnerability and distributes the risks that are always involved in industrial operations," says Pehr Gyllenhammar, Volvo chairman and chief executive.

The first big diversification was into energy, a move that has not yet yielded quite the hoped-for results. Scandinavian Trading Company, Volvo's oil trading subsidiary, landed it with huge losses in 1983 and 1984. After early miscalculations Volvo has given up trying to become an offshore oil and gas producer in its own right, and instead has consolidated the operations in the U.S. Hamilton Oil corporation, where it now owns just under 50 per cent.

Senior Volvo executives admit that the company ended up in the food industry by accident. It happened as a by-product of the acquisition of the Beijer group in 1981. When the dust settled after the deal Volvo discovered that, along with oil trading and a range of engineering activities, it had also acquired a group of companies with a dominant position in the domestic food market.

"The companies had good brand names and good profitability," says Galme, who came to Volvo as managing director of Felix which, at the time of the Beijer takeover, was the Swedish market leader in products such as preserved cucumbers, beets, potatoes, ketchup and dressings. It had been acquired just a year earlier by Beijer from Sir James Goldsmith's Cavenham Foods as part of his European divestment.

"Food is one of the largest markets in the world; it is stable and has good profitability. Volvo thought it could be of interest. Remember it was only in 1980 that Volvo's car operations (today the big money winner) were loss-making."

Volvo took some time to make up its mind, but its corporate strategists finally decided that like transportation and energy, the group's other main activities, "food processing is a necessary element in all societies."

Last summer it formed an umbrella company, Provendor, to pull together the various food subsidiaries, and took the decision to develop the food operations into a strategic size more fitting to the Volvo group, which last year had total sales of SKr 87bn (£7.5bn) and profits (before allocations and taxes) of SKr 7.6bn. "Volvo thought that food could be a good balancing factor to its cyclical industrial operations," says Galme.

Last year the food division had sales of SKr 4.9bn, equivalent to some 8 per cent of group turnover excluding energy. Profits sagged as a result of a price war in the meat business, but Galme insists that the food group has made up the lost ground during the first half of 1985. "The price war was led by the farmers' co-operatives, which had lost market share in slaughtering, but they lost most on the war."

In its operating areas Volvo already has a clearly dominant position in its domestic market, so the only way for it to expand is to move abroad. It is difficult to export food from Sweden because of tariff barriers—the EEC, for instance, imposes a 20 per cent levy on Swedish food exports—so Volvo is clearly set on a path of expansion through acquisitions.

"Food is a very national industry," says Galme. "Only 8 per cent of food production is traded across borders compared with 40 per cent for cars, and each country has built up its own food industry."

For a start, Volvo has its eye on West European markets, chiefly the UK, West Germany and France, but at a later stage is also looking for a foothold in the U.S.

The search for suitable takeover targets is proving more difficult than the company first bargained for. "There have already been many mergers and acquisitions in this sector in Europe," says Galme, "and the possibilities in terms of size, profitability and brand names are not as great as we thought at the beginning."

Provendor is not looking for companies in trouble. It says it lacks the management capacity needed for such corporate restructuring tasks. The Provendor holding company itself has a total staff of only eight, although with the operating companies the division has a workforce of 4,950, some 7 per cent of the total Volvo labour force.

"We are looking for well-established companies with good brand names operating in our existing product areas. The size of Provendor itself with SKr 5bn sales a year sets an upper limit on the size of any takeover," says Volvo.

"The multiple food chains abroad have a very strong position and to be able to deal with them you must have a very strong brand name. Volvo does not want to produce for private labels. We are trading on the strength of our brand names, but we cannot export these from Sweden. The marketing investment would cost too much and there are the food levies on exports from Sweden. We believe it is cheaper to buy a position in the market."

With Skr 16.7bn in liquid funds at the end of the first quarter Volvo clearly has the muscle to buy its way into the European food industry when the opportunity presents itself. "We expect to have made the first moves by the end of the year," says Galme.

Ulf Linden, the pugnacious Volvo executive vice-president with ultimate responsibility for the food operations, is more cautious, however. "There is no hurry, they will take their time."

Provendor has found that its chief advantage in being a member of the Volvo group is in making the sort of international financial contacts needed in the search for foreign acquisitions. The Volvo name itself, however, is only for use on products with four wheels. There will be no Volvo ketchup or Volvo meat-balls.

Galme is aiming to score abroad, however, through the transfer of Volvo food processing technology to improve the quality of any eventual acquisitions.

Galme cites the sale of French fries and dill pickles to the McDonald hamburger chain as evidence of the group's superior food processing technology. Also, he says: "In 1979 we bought a frozen pizza factory with 25 per cent of the market; the rest of the market was dominated by Findus (a subsidiary of Nestle). By developing the quality of the pizza, we now have 60 per cent of the market based on better technology." Another Volvo food subsidiary has developed a new technique for making reconstituted cuts of meat, such as steaks, from small pieces of meat.

The group is also trying to establish a presence in the food of the future. One of the three Provendor executives is exclusively engaged in research and development. Through other subsidiaries Volvo has been trying to establish a presence in bio-technology and Galme insists that "food will be one of the first areas affected by this research."

Recruitment

Are sights set too high?

BY DAVID JENKINS AND MARC VANDEVELDE

BRITISH industry may not, after all, have a skills shortage. Any apparent dearth of people with qualifications for specialist jobs may be largely the result of companies' own recruitment policies.

In other words, the wrong people are being sought for specialist jobs. This certainly seems to be the implication of the findings of a research team drawn from Sussex University and the Engineering Industry Training Board and funded by the Manpower Services Commission. Though its research covered the software industry, its findings seem relevant to industry generally.

A key finding was that software managers were the predominant influences on recruitment and that their personal preferences might well lead to their seeking over-qualified personnel while ignoring less qualified candidates deemed by a minority of other software companies as perfectly suitable for training.

The belief that a chronic shortage of skills has severely constrained the national economy is stubborn and pervasive. It has led to millions of pounds being spent in the past on the industrial training boards. The promise to eliminate any future risk of skill shortage is currently a major plank in the Government programme to promote its Youth Training Scheme.

Curiously enough, the authenticity of these stories has rarely been questioned. The few initiatives there have been to examine apparent skill shortages at local level have in fact concluded that they were unfounded. The most common fact to emerge has been the practice of employers of recruiting people who are more qualified or skilled than the job demands.

With regard to the software industry, the most recent official statement has been the Butcher Committee suggestion that the information technology industry has a current shortfall of some 1,500 graduates, a figure which was expected to rise to 10,000 by 1990. The survey by Sussex University and the EITB raises a large question-mark over this official view.

Twenty-five concerns took part in the survey, representing a range of businesses that includes defence work, measurement and control and telecommunications; two research establishments were also included. Three researchers found that most of these concerns were restricting recruitment to graduates. The ideal candidate was seen as a graduate with three years' software experience.

Even so, because of the apparent shortfall in supply, many companies were in fact recruiting "raw" graduates, mainly in engineering or physics who were then given in-house training. It appeared that as a rule they were able quickly to develop the skills needed to construct useable software.

Of the 25 concerns, seven reported no recruitment problems at all (most of these companies were engaged in business viewed as prestigious by graduates, eg, computer graphics, office automation and CAD), 16 reported a lack of suitable candidates and some firms claimed that this dearth was responsible for such problems as the late completion of contracts.

Technicians

However, to this general picture there were a couple of notable exceptions. Two firms reported that they were solving the problem by recruiting potential technicians and training them for software work. One of the advantages claimed for this option was the expectation that these "homegrown" technicians were likely to stay with their first employer long enough for them to make a tangible contribution. In contrast, the survey noted a feeling widespread among employers that many graduates had been programmed to believe that future career prospects depended on moving on within three years from their first job after graduation. This often created severe problems in maintaining continuity on projects.

A major purpose of the survey was to explore company attitudes to the suggestion that they might employ technicians as software engineers in place of graduates (a project prompted by a pilot course that had been run by Brighton College of Technology to convert technicians into software engineers).

The seven companies which had no history of problems in recruiting graduates showed no interest in this option. Even so, 12 other firms made it clear that they would be prepared to employ technicians as software engineers once they had been trained. Of these, 10 said they would deploy them on work that was currently the preserve of graduates. The remaining two decided they would use these technicians in support roles.

Finally the researchers tried to identify the considerations that determined company decisions on the level of qualification required in recruiting software engineers. They concluded that there was one factor—and one factor alone—the personal preferences of the company software manager.

The survey compares the policies of two companies making a nearly identical range of products. In Company X the software manager demanded graduates in electrical engineering with a bias towards maths and computing. Yet his counterpart in Company Y was content to use company-trained technicians. In another firm, which was engaged in defence work, a change in software manager led to a change in recruitment policies. The first manager—himself an Oxbridge graduate—insisted on recruiting graduates with very specialised expertise. His successor, an ex-apprentice, who had taken his degree later in his working life, was prepared to open the door to technicians.

The results of this survey are far-reaching. They underline the dangers of accepting at face value reports of skill shortages that have no substance or are much exaggerated. They add to existing evidence that many employers are apt to recruit people who have attained a level of qualification that the work does not need. They counsel caution in considering official estimates of the numbers of graduates needed in the computer field.

Above all, they point to the need for close scrutiny at local level of reported shortages by a neutral agency that is free from the loud axe-grinding that has long plagued the examination of manpower issues. The quality of the report of this survey suggests that there is perhaps a place for the Engineering Industry Training Board which has recently announced a shift of emphasis from traditional skills to the new technologies.

David Jenkins is a manpower consultant and Marc Vandevelde is a senior training adviser at the EITB.

Retailers expect boom in sales to continue

BY PHILIP STEPHENS

BRITAIN'S retailers are confident that the recent boom in sales will continue into this month, according to the latest Confederation of British Industry and Financial Times survey of the distributive trades.

The August survey also shows that wholesalers expect another good month for sales, although they are forecasting slower growth than in July.

Replies from 346 retailers indicate that a balance of 56 per cent anticipate increased turnover in August compared to the same 1984 month, while 33 per cent expect sales to be above average for the time of year.

The percentage balance represents the proportion of respondents indicating higher sales minus those indicating lower.

Last month sales were not as good as had been expected but a balance of 50 per cent reported increased turnover compared to the same month a year ago. This is in line with the official retail sales index which showed that sales remained at the record levels seen in June.

The survey shows that "off-licences" (shops specialising in the sale of alcoholic drink) were the only group with sales below the level of July 1984. Chemists, grocers and specialist food retailers, and clothing shops all reported significant increases in business.

The present optimism among retailers is reflected in a planned increase in the orders they place with suppliers.

A balance of 39 per cent said they intended to boost the volume of orders this month, compared with 32 per cent which had actually done so in July. Off-licences were again the only group with a balance expecting and reporting lower orders.

A balance of 14 per cent of retailers, however, still thought that their stock levels would be too high in August. The trend in recent months suggests that this figure could understate the actual position.

In July, for example, a balance of 11 per cent had initially anticipated that stocks would be too high in relation to sales. This month's survey shows that the actual out-turn left a balance of 22 per cent with excess supplies.

Replies to the survey from 235 wholesalers indicate that a balance of 54 per cent expect the volume of sales to improve in August compared with the same 1984 month, while 63 per cent reported increased turnover in July.

Wholesalers are planning to increase orders with suppliers, with a balance of 42 per cent expecting to place more orders in August than a year ago.

The 54 motor traders covered by the survey reported a fairly optimistic outlook. A balance of 49 per cent thought that the traditional August boom in sales would be better this year than in 1984, and 37 per cent said that business in July had increased over the same month last year.

Cut in base rates urged

THE CONFEDERATION of British Industry yesterday called for an immediate cut in interest rates, reopening its dispute with the Government over the emphasis of economic policy.

Sir James Cleminson, the CBI president, said that the recent evidence of a sharp slowdown in U.S. growth and last week's fall in West German borrowing costs had reinforced the need for a speedy reduction in rates in the UK.

His call ends un uneasy truce between industrialists and the Treasury which followed a sharp clash over interest rates in late June.

The view in Whitehall last night was that, although the Government sympathised with industry's concerns, it would not shift from its present tough anti-inflation stance and that borrowing costs were likely to fall only slowly.

Mr John Moore, the Financial Secretary to the Treasury, said that recent figures indicated that the British economy was growing faster than any other in Europe and was also likely to outperform the U.S. The important thing was for the Government to stick with its present course.

□ PROGRESS in the international courtroom battles over the proposed Laker Airways anti-trust settlement was suspended, pending further action in the English courts next month.

The Royal Court of Jersey accepted an application by Sir Freddie Laker to adjourn its consideration of the settlement, by which the 12 defendants in the anti-trust case – including British Airways – would pay $48m over to the creditors of Laker Airways. The failed airline was registered in Jersey.

The settlement hearing will follow an English Court of Appeal hearing for Sir Freddie to start on September 4. The High Court in London last week gave Mr Christopher Morris, the Laker Airways liquidator, its approval for his settlement plans, overruling objections presented by counsel for Sir Freddie.

□ ENASA, the Spanish state-owned truck company, is backing a new company in Peterlee, County Durham, which will assemble and manufacture special axles and transmissions. The company, Fendley Industries, will receive financial support from Banco de Bilbao and NCB Enterprises, the National Coal Board offshot which encourages investment in pit-closure areas.

□ ENTERPRISE Computers, the home computer group, has awarded a manufacturing contract with GRI of Perth, Scotland. GRI, part of GRI Electronics will make both the 64K and 128K models of Enterprise computers.

Yesterday, Welwyn Electronics, a subsidiary of Crystalate Holdings, said that it had stopped making the Enterprise computers.

□ AUSTIN Rover, the BL subsidiary, is cutting its workforce further with 75 redundancies at its Llanelli, Wales, pressings plant. Up to 200 redundancies were announced earlier this week at BL's main Longbridge, Birmingham, plant as a result of production cuts to reduce unsold stocks.

□ PAY settlements over the past six months were in the 5 to 7 per cent range according to Income Data Services, the independent pay research body. Most public sector deals were at or near 5 per cent, it said.

COMPUTER PACKAGE SUBSTANTIALLY UNDERCUTS RIVAL PRODUCTS

Amstrad launches low-cost word processor

AMSTRAD, the consumer electronics group, is making a remarkable challenge in the home and business personal computer market with the first really, low-cost word processing system, Jason Crisp writes.

The company yesterday launched a computer – the PCW8256 – with a strong emphasis on word processing which includes a monitor, disc drive, software and printer for £399 plus VAT. That price substantially undercuts products from other companies which do not normally sell all the necessary peripherals in a single package.

Production in South Korea is being stepped up to 40,000 units a month by the end of this year. It is to be sold also in West Germany, France, Scandinavia and possibly the U.S.

If Amstrad can sell 40,000 units a month it could increase the company's turnover by nearly £120m a year. In February the company announced a 51 per cent jump in pre-tax profits for the first half of its financial year of £9.53m on sales of £69.1m.

Amstrad which is still best known for its low cost audio products was one of the few companies to have had a commercially successful year in home computers in 1984.

One of the main reasons for that success was because Amstrad was the first company to sell a home computer as a complete package which could be used without having to buy and connect peripherals. Yesterday it also cut the prices of its home computers.

The low price of the word processor launched yesterday caused some surprise to the home computer industry which has been hit by a succession of crises this year. Some observers thought the Amstrad product would create a new market and not compete with either the games playing home computer or the more powerful personal computers used by business.

Mr Alan Sugar, chief executive of Amstrad, said "This machine will blow the lid off the personal computer and word processing market. We have brought computing and word processing within the reach of every small business, one man band, home worker and two finger typist in the country – not to mention the company chairman who wants one for himself, his secretary and all his managers.

"The PCW8256 costs less than the average electric typewriter and yet it has features that will make the big trans-Atlantic names wince."

The new machine is aimed at both the business and the top-end of the home market. Amstrad may have some problems convincing business that it is not just a home computer company but the company has not been dogged by any of the reliability problems that affected Sinclair Research.

The PCW8256 is not compatable with the rest of Amstrad's range and will not run games programs. The computer includes a basic accounting program, a database and financial spreadsheet the most widely used applications after word processing. But the main emphasis is on word processing which is easily the widest use for personal computers.

Dixons, the electricals chain, had exclusive Amstrad rights among the bigger retailers until the end of the year, but the PCW8256 will also be sold by small independent outlets and office equipment distributors.

Amstrad has said that it will sell 600,000 computers this year. Yesterday, the company cut £30 to £40 off its basic home computer and announced it was dropping the new version with a disc-drive launched only in April. This is to be replaced by another home computer which was launched in May in the U.S.

TECHNOLOGY

EDITED BY ALAN CANE

David Fishlock looks at UK expertise in electron beam weapons

British finger on the Star Wars pulse

"I DON'T KNOW why you've come all this way to talk about pulsed power," said the American engineer at Sandia National Laboratories in New Mexico. "You've got the father of pulsed power over there."

Pulsed power is one of the key technologies of the Strategic Defence Initiative, the so-called Star Wars research programme launched by the U.S. Gigantic bursts of electrical energy are needed to produce the thunderbolts of radiation which might serve as long-range weapons able to attack enemy missiles at up to 100,000 times the speed of their target.

A technical conference on pulsed power, scheduled to take place on the Greek island of Spetses this month, was cancelled when its western organisers saw how much interest the Russians were showing. In a remote corner of the Atomic Weapons Research Establishment, Aldermaston, a small group headed by Mr Charles Martin has built an international reputation in the generation and switching of pulsed power. Its expertise is part of a portfolio of defence research Britain could propose to the U.S. in return for a substantial role in the Star Wars.

Mr Martin's pulsed power group believes it was the first to propagate an electron beam, one of the potential SDI weapons, as long ago as 1963. It made the claim in a presentation to Sandia scientists at Alermaston in 1964—and forged a bond between the two laboratories which lasts to this day. Dr Gerold Yonas, who later headed the Sandia group, has become chief scientist of the the SDI Organisation in Washington DC, which funds the research.

What Mr Martin's group claimed in 1963 was that it could project a self-focusing beam of electrons for 20 cm. Theoretical predictions said this would need an immense input current, about 15,000 amperes. The team first observed it at 14,000 amperes, then gradually pushed the pulses of current up as high as 40,000 amperes at 3.5m volts, a few years later.

The core of Mr Martin's group is a partnership between himself and Mr Michael Goodman, both physicists, which has lasted for 25 years. The group is attached to the division of warhead hydrodynamics, the study of how the complex contents of a nuclear weapon are "assembled" with the help of high explosives, to form the critical mass of fissile material needed to initiate a nuclear explosion. Assembly means moving, reshaping and compressing very dense metal in fractions of a microsecond at many millions of atmospheres pressure.

Weapon designers find the assembly process under such extreme conditions very difficult to predict accurately. They want to verify their computer codes with pictures if possible. The pulsed power team has been developing techniques for taking flash X-rays of the assembly process in warheads complete except for their fissile material, exploded (or, rather, imploded) in a bomb chamber at Aldermaston.

Conventional wisdom in the early 1960s was that the way to more penetrating X-rays was to push up the voltage. But this was very costly. Mr Martin and Mr Goodman focused instead on generating great pulses of current.

"All the technology is very cheap. Some of the physics behind it is a little subtle," says Mr Martin.

Other parts of Aldermaston began to recognise the value of Mr Martin's power pulses (see table). An early interest was simulation of the electromagnetic pulse (EMP), the burst of radiation which accompanies a nuclear explosion and can devastate electronic circuits which have not been "hardened" against the rays. In 1967 the team provided the Ministry of Defence with a way of testing a complete nuclear bomber for resistance to EMP.

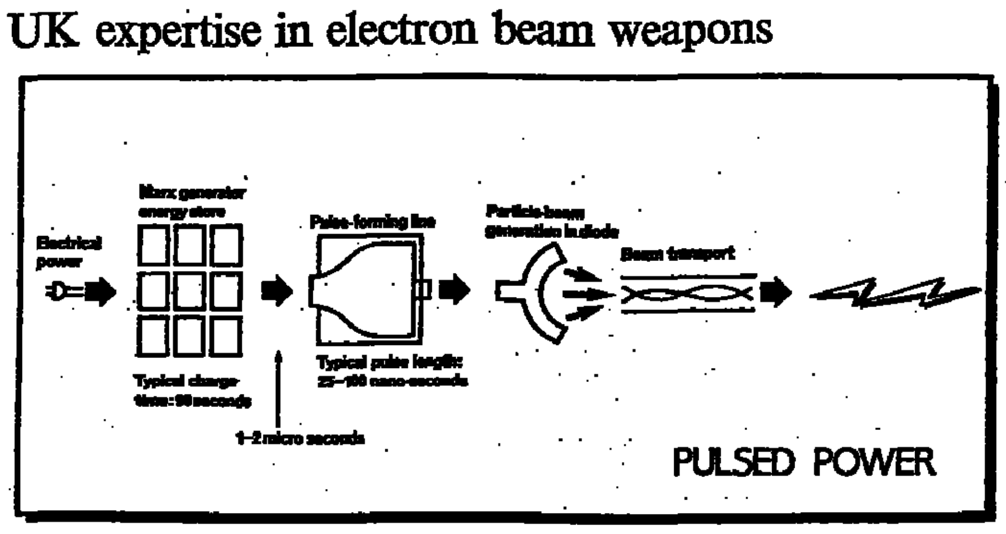
The U.S. nuclear weapon laboratories also consulted Mr Martin, under the Anglo-U.S. technical exchange agreement on weapon technology. Sandia, in an article published in its own house newspaper earlier this year, recounts how a new division formed in 1965 to study the hardening of electronics against EMP "relied heavily on Mr Martin's 1963-65 discoveries about basic pulsed power principles, including the means to provide intense electron stream."

By 1972, the team had built what it believes was the world's first million-volt, million-amp pulsed power supply. They simply called it IT.

In the late-1970s Aldermaston recognised that the team had made enough progress to contemplate radiography of a complete warhead as it imploded. Dr Peter Jones, now Aldermaston's director but then its chief weapon designer, challenged Mr Martin to take such radiographs

The outcome is Mogul-D, built by Mr Goodman at a cost of about £500,000 which "reveals things you can't see any other way," Mr Martin says. "We queue up for the film," confirms a weapon designer. The radiographs are fed straight back into the design process for warheads, which have grown steadily more complex as the designers try to pack more and more into a missile front end.

Aldermaston reckons it brought this design aid into service two years ahead of its U.S. counterpart, the FXR flash X-ray machine at Lawrence Livermore, which cost more than $20m.



PULSED power starts in a modest way electrically, as a trickle charge. A bank of electrical capacitors, coupled in parallel, is charged slowly at a voltage of 150-200 kilovolts but low current. This capacitor bank is known as a Marx generator, after Erwin Marx, who invented it in 1932.

The trick is to discharge the Marx generator very quickly, with the capacitors in series, in a millionth of a second or so. In this way the voltage can be built up to millions of volts. This charges the high-speed section—the pulse-forming line—which further squeezes the pulse by a factor of 50 or so.

The result is a highly compressed pulse of electricity, typically lasting only a fraction of a micro-second, which bursts from the pulse-forming line. Such a high-density pulse of power is needed to feed such equipments as Mogul-D, Aldermaston's most powerful X-ray machine, EMP generators and potential beam weapons such as free electron lasers and electron accelerators.

Aldermaston has developed pulsed power systems generating pulses of about 1 terawatt (1 million megawatts). Sandia is building a 100 terawatt pulsed power system for thermonuclear fusion experiments.

Charles Martin: Father of pulsed power

HOW ALDERMASTON USES PULSED POWER

Technique	Application
Flash radiography	Study of explosive and explosive-metal phenomena such as shocks, spall and motion of internal surfaces.
Intense pulses of approximately million volt X-rays	Simulation and study of internal electro-magnetic pulse phenomena caused by these in electronics, etc.
Intense pulses of approximately 100 keV X-rays	Simulation and study of material response to non-uniform heating effects caused by such X-rays in small samples.
Properties of materials when rapidly heated	Simulation of the effects of X-ray attack on materials and study of the physical and chemical properties of rapidly heated materials.
Response of small structures to rapid heating	Simulation of X-ray attack effects on small structures.
Impulsive testing of large structures	Non-uniform impulsive loading of large structures to simulate the mechanical and elasto-plastic after-effects of X-ray attack.
EMP generators	High voltage fast rising pulse generators are used to drive aerials or transmission lines to simulate EMP effects in tanks.
Lasers	Many applications.

Delays hit scheme for high-powered research computers

BY PETER MARSH

A PROJECT to equip Britain's top computing researchers with home-made rather than American machines is running six months to a year behind schedule, leaving a trail of incriminations and bruised reputations.

Under a £1m deal with the Science and Engineering Research Council (SERC), GEC Computers of Dunstable installed 10 of its new Series 63 machines in some of Britain's top university computing departments.

The Series 63 computers were purchased two years ago partly to give computing academics extra machines for research in artificial intelligence under the Government's Alvey project in advanced computing.

A second aim was to help GEC establish itself in the business of making the fast, high-powered computers tailored to artificial-inteligence work.

GEC now admits it was slow to provide the necessary software refinements for the machines, chiefly because of shortages of computer staff.

GEC claims that the SERC's Rutherford Appleton Laboratory, which was due to help in the software developments, failed to devote enough resources to the project.

The episode has left university researchers unhappy and has contributed to a sluggish start to the £350m Alvey programme, which began two years ago as an exercise in getting university researchers and industry to work together on new computer applications.

GEC saw its new range of computers as rivals to machines for applications in artificial intelligence that are made mainly by American companies such as DEC and Xerox.

Leading computer academics wanted the SERC to choose in place of the British hardware the much better established VAX equipment made by DEC.

In the event, the research council bought the GEC machines as part of a package for distribution to universities that also included 10 of the VAX computers.

As part of the SERC package, other Series 63 machines were installed, most of them 1-2 years ago, at the universities of Oxford, Sussex, Essex, and Newcastle upon Tyne and the University of Manchester Institute of Science and Technology.

Dr Mike Todd, manager for new business developments at GEC Computers, said the programme in supplying software and hardware refinements to the Series 63 models was 6 months to a year behind schedule.

His own company was left short of specialised computer staff after A. B. Dick, a U.S. company which is part of the GEC group, decided two years ago to pull out of the project to develop the Series 63, leaving GEC Computers to work on its own.

The problems with the university machines were mainly in supplying the correct type of UNIX operating system (a set of software that provides basic instructions to the computer) and programs written in the special languages such as Prolog and Lisp used by researchers in artificial intelligence.

GEC Computers has sold a total of about 35 Series 63 machines at about £100,000 each. Customers have included British Telecom, Logica, the UK Atomic Energy Authority and the GEC Hirst Research Centre.

Dr David Thomas, a director of the Alvey project who is responsible for liaison with the SERC, said the decision to purchase the GEC machines was fuelled partly by the desire to give a British company experience in a new range of computers.

"The programme has gone slightly slower than everyone would have wished. University researchers are always going to want the best tools for the job and will have little sympathy for government procurement policies."

Tomorrow: Why laboratories need supercomputers

Kodak sets up fibre optics unit

EASTMAN KODAK, continuing its diversification from photographic film materials and cameras into electronics, has announced plans to enter the fibre optics market.

These fibres, used in place of copper cables, allow vastly greater amounts of data to be sent over long distances.

Kodak has formed a new division called Lamdek Fibre Optics as "a natural extension" of its strengths in optics.

Lamdek initially will offer a high precision field-installable fibre connector and related products for single mode optical fibre, a type with growing significance in the long haul telecommunications market.

With the recent emergence of KIMS (Kodak Image Management System), which allows interchange between microfilm and electronic imaging systems, the company has natural interest in bulk image data transmission.

Rodime scores Japan success

RODIME, the Scottish company which in five years has become a world leader in small hard disk drives for microcomputers, has chalked up a further success by shipping its 3.5-inch Winchester drive into Japan.

Matsushita is now marketing the RO 350 model through its subsidiary Matsubo Equipment and Instrument Corporation. Particularly suited to the storage needs of the smaller, more portable micros, the RO 350 offers up to 10 megabytes (millions of characters) within the same dimensions as a floppy disk drive.

The U.S. is currently Rodime's biggest market—60 per cent of the output goes there. With an outlet in Japan, the company hopes it can make the same impression there as it did in the U.S. three years ago.

Television/Christopher Dunkley

Talking heads

Today, more than ever before, British broadcasters need the support and sympathy of the viewing public. Yet anyone listening to the four days of impassioned debate at this year's Edinburgh Television Festival would have become aware of an ironic paradox: not only was the voice of the viewer notable for its absence, but the voice of the broadcaster turned out, all too often, to be that familiar middle-class voice which automatically scorns the programmes which attract most viewers. Programme makers, it seems, are as likely as anyone else—perhaps more likely—to suffer from Acacia Avenue syndrome: superciliousness towards popular culture.

It is difficult to imagine the reactions if someone were to suggest expanding the Edinburgh Festival by adding on a four-day "Newspaper Festival." Among the public the idea of Fleet Street editors and journalists congregating in this stony grey city amid all the jollity of the main and fringe festivals to spend four days solemnly discussing the future of the printed word would presumably raise either a snigger or total incredulity. Among newspaper journalists themselves the commonest reaction would probably be disbelief.

> Programme makers seem to suffer from Acacia Avenue syndrome . . .

Yet in 1975 the Edinburgh Television Festival was added to the main festival (I must confess to having been on the first organising committee) and this year 600 delegates attended the 10th annual event. They argued about the relationship between cinema and television — today as strained as it has ever been despite, or perhaps because of, television's attempts to produce films suitable for cinema and television screens simultaneously. They tried to decide whether the surge in the production of soap opera was washing other drama down the drain.

Above all they discussed the future of broadcasting in the light of the appointment of the Peacock Committee with its brief to investigate the consequences if the BBC were to go commercial or be financed by some other system apart from the licence fee. And of course they discussed the crisis at the BBC caused by the suppression of the *Real Lives* documentary about two Irish extremists, one Republican and one Loyalist.

A videotape of this programme, said to have fallen off the back of a BBC lorry, was screened for the delegates and without a single dissenting voice from BBC department heads, ITV competitors, union officials, producers, politicians or even those members or ex-members of the BBC management present, it was agreed to write immediately on behalf of all the delegates to Stuart Young, chairman of the BBC governors (with copies to the director-general and the Home Secretary) urging that the programme be screened unimpaired before the end of September. The letter warned that this incident represented the most serious public test of the BBC and asserted that if the Corporation did not survive it "then its integrity will be completely undermined."

My own feeling, having watched the programme twice, is that the governors should not presume themselves to be so very superior to the average viewer when it comes to spotting weasel words, propaganda and downright dishonesty delivered by bigots and near-lunatics. Clearly the programme has a deeply serious purpose, and serves powerfully, albeit chillingly, to convey the desperation and fear permeating both camps.

It could be argued that the disparity between newspaper and television personnel in their readiness to gaze at their own navels is explained by the fact that television is obviously so much more newsworthy. Not only had the *Real Lives* row been providing headlines for weeks before the Edinburgh Festival, but on the day of the Peacock debate, the Observer led its front page with the story about the MI5 vetting of BBC personnel.

You could push the argument further and say that if television were ever able to shake off the regulatory chains in which it has always laboured, the motivations for a conference of this sort would fade away. In other words the Edinburgh Television Festival could be seen as giving anxious and angry television people the opportunity to rage collectively against government regulation, staff vetting, censorship, management interference in editorial processes, and so on.

There is some truth in that. If broadcasting were to be set free tomorrow to operate under the ordinary law of the land it would certainly take a lot of the steam out of the 1986 Edinburgh TV Festival. Yet it is unlikely that the event would wither away. It seems to me that there is another deep-seated reason for the popularity of the "Embra Gab-fest" (a phrase coined by one of the festival's chief instigators, Gus Macdonald of Granada, who has just been named as the new programme controller of Scottish Television).

Television producers may be no worse than Fleet Street journalists, stockbrokers or brain surgeons when it comes to talking shop: everyone loves it. But whereas most of us talk shop as an adjunct to our jobs and as a second-best activity when not working, many television producers actually seem to prefer talking about television to either making programmes or, more significantly, watching them. Most of the newspaper journalists I know are print junkies: when not writing for newspapers they read them avidly. Furthermore, whatever faults we may privately acknowledge in our papers, we stand up for our respective publications amongst ourselves and even champion the Press generally in the outside world.

> Producers seem to prefer talking about programmes than watching them . . .

If a politician were to tell a room full of newspapermen about his recent visit to a foreign country, extolling that country's habit of banning the publication of newspapers on one day a week "so that everyone could do something better than read the papers," it is unthinkable that he would be warmly applauded. Yet when David Steel told the Edinburgh TV Festival about Iceland's practice of banning television on Thursdays "because, on at least one day a week, people should be doing something better with their time," there was a roar of approval from the assembled broadcasters. Jeremy Isaacs, chief executive of Channel 4, not only beamed and nodded in agreement but thumped the table in acclamation.

There are, of course, many unimpressive programmes on television and some which are a downright disgrace. In the previous week Mr Isaacs's own channel showed one of the most pretentious time-wasters I have ever seen: *Soft And Hard*, a rambling and incomprehensible chat between Jean-Luc Godard and his assistant. Mr Isaacs should indeed feel ashamed of that sort of nonsense, particularly when his channel finances it. But many hours spent in Edinburgh studios and lecture halls between 1975 and 1985 have persuaded me that it is not unpopular programmes such as *Soft And Hard* which induce in British television producers an attitude bordering on contempt for their own business, but the popular programmes.

The air is thick with important words such as "freedom" and "integrity" and "public service," but an embarrassed silence tends to fall on those rare occasions when terms such as "entertainment" or "popular appeal" are heard. It is, of course, quite proper that television producers should defend their right to make the more serious, less popular, type of public service programmes since they are the ones which need defending.

Nevertheless, these 10 years have impressed upon me the striking discrepancy in attitudes between the overwhelming majority of those who join in the Edinburgh TV Festival — whether programme producers, broadcasting executives, or trade union officials — and those members of the population who elected Mrs Thatcher to office at the last two elections, who choose in their millions every day to read the Sun or the Daily Star rather than the Guardian or the Morning Star, and whose favourite viewing is *Crossroads*, *Dallas* and *The Price Is Right*. It is heartening to know from recent opinion polls that such people, or anyway the population at large, do not want the Government suppressing BBC programmes.

> An embarrassed silence falls when popular appeal is mentioned . . .

It was no surprise whatsoever when the assembled broadcasters voted *nem con.* to urge the screening of the *Real Lives* programme. It was only a little bit surprising to discover that I was the only person out of several hundred willing to suggest that the programme could be improved in any way whatsoever (by adding, to a caption announcing that Sinn Fein won 59 seats in local elections at its first attempt, the number that was contested altogether).

It is, however, both surprising and disturbing to observe the lack of awareness among the broadcasters or anyway the documentary and current affairs broadcasters who seem to supply most of the theorising) at this event about the dangers of their own rarified attitudes towards television. While admiring their high principles and fine sensibilities, the Margaret Thatchers and William Rees-Moggs of this world would doubtless assert that the television people had only the barest claim to any public constituency, and precious few signs of any personal sympathy with the average viewer—and that would be very difficult for an impartial onlooker to deny.

Monteverdi and Mozart/Salzburg Festival

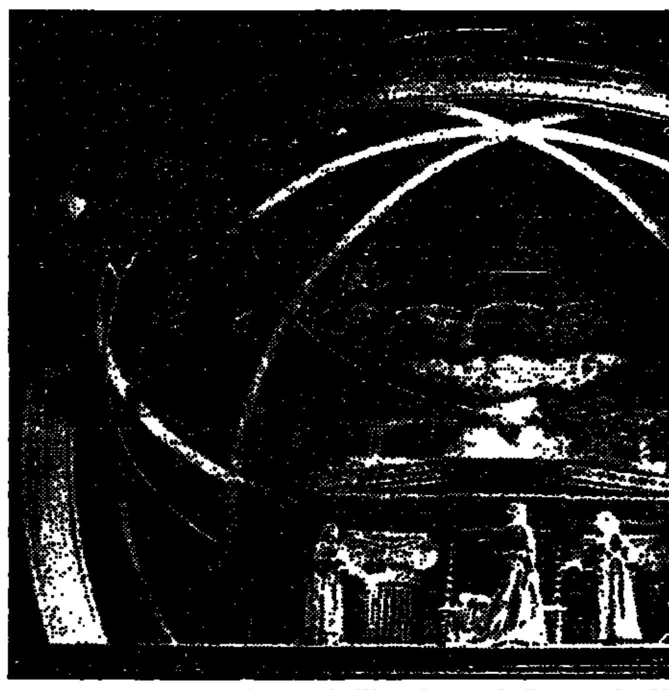
David Murray

Though Monteverdi's late *Il ritorno d'Ulisse in patria* has come down to us in a sadly incomplete form, with two second-hand manuscripts giving only vocal parts and bass-line for less than the full complement of scenes, its Prologue certainly shows human frailty subjected to Time, Luck and Love. Hans Werner Hanze has conspired with the producer Michael Hampe to reconstruct *Ulisse* for modern ears and eyes, heedless of modern purism; the result at Salzburg is an ambiguous triumph of love, luck and *chutzpah*. Time, as musicologists understand it, is rudely kicked aside.

Where music is lacking for the original text, Henze has borrowed from other Monteverdi. The question of instrumentation is still more difficult, though Monteverdi is known to have had at his disposal a range of instruments that would have dazzled contemporary listeners; Henze has helped himself freely to electric guitars, celesta, accordion, banjo, heckelphone. Violins, however, he excludes on the ground that they are too "opulent" for Monteverdi. There are plenty of lower strings, woodwinds, brass (chiefly for the gods) and percussion, and a piano which sometimes serves as a modern continuo and sometimes crashes exuberantly into virtuoso *concertante*.

In so far as Monteverdto's harmony can be divined from the exiguous manuscripts, Henze claims to have respected it, but he has titivated the music in all sorts of other ways, ornamenting the vocal lines and adding skeins of inner parts to fill out the texture. A version destined for performance in Salzburg's Felsenreitschule, with its great wall of arches and tunnels carved out of the Mönchsberg, needs to make a lot of noise; nothing with "period" pretensions could do it. Henze's aim is to reveal Monteverdi "through the ears of Mahler," rather as one hears Bach through Schoenberg's ears in the latter's orchestration of the St Anne fugue.

Mutatis mutandis, the project is worthy of Karajan himself. The concept of leaving well enough alone has no weight for Henze. At appropriate places (so to speak!) we even get bouzouki-effects — or their Italian equivalent; for this



"Il ritorno d'Ulisse in patria" as set by Mauro Pagano

Ulisse is the latest love-child of Henze's unending affair with Italy old and new. "Ein sehr persönlicher Traum von Kultur und Musik," he calls it: just so, and it is also a farrago that stands in howling need of a master-production to make it plausible while it lasts. Henze has been, if you ask me, bloody lucky.

There is a starry cast, and Jeffrey Tate to conduct the Austrian Radio Symphony, and Hampe to organise everything. Above all — above, around, behind, below — there is Mauro Pagano's magnificent set: the outriggings of an ancient globe, with a quantity of hidden machinery to engineer the most spectacular effects. Storms seas explosions *die ex machina*: the visual coups come in stunning succession and yet — thanks to Hampe and to Monteverdi and maybe even to Henze — the epic outlines of Ulysses' homecoming are clear and cogent.

By intention Monteverdi's all-important all-expressive vocal lines are kept in high relief. In fact bass-heavy pedals thickened with accordion sometimes cover even Thomas Allen's heroic Ulysses (perhaps the fault of the Felsenreitschule acoustic); but he etches the role in clean powerful strokes, and Kathleen Kuhlmann's sternly grieving Penelope matches him. The final duet of reunion, simply and tenderly scored, is elevated and deeply affecting; one is persuaded that this extravagantly refurbished *Ulisse* has after all been a labour of love.

Among the distinguished and numerous personnel, Robert Tear is a fine, tactful Shepherd, Alejandro Ramirez a virile young Telemachus and Daphne Evangelatos a warmly lyrical maid. There is particularly elegant Monteverdi singing from all three Suitors (Harald Stamm, Josef Protschka and Douglas Ahlstedt), and from the inimitable Martha Szirmay as the robust nurse. James King and Manfred Schenk are sonorously crusty as Jupiter and Neptune; Ann Murray was ailing when I saw the opera, but as much as she was able to sing of Minerva (partly offstage) showed what a beautiful performance she must give.

She was *souffrante* the previous night, too, in *Cosi fan tutte*, but she made a lovely and subtle Dorabella none the less, in ravishing duet with Margaret Marshall's brave, frail Fiordiligi. It is another Hampe production, in his more familiar vein of humane comedy: quite without tricks or added business, the lovers' tangles are followed through in terms of real people, in the happy glow of Pagano's elegant Neapolitan visions.

The production has been noticed on this page in earlier seasons, by Ronald Crichton and Max Loppert (in rather different tones of voice). I gather that it has matured perceptibly. There is a virile Guglielmo from James Morris, whose baritone has a rich, attractive tang; Francisco Araiza is the ruffled Ferrando, not quite in such liquid voice as a few years ago. Kathleen Battle repeats her stylishly pretty Despina, and Sesto Bruscantini's Don Alfonso compensates for a backward voice in the ensembles with an engagingly quirky personality—no Mephistopheles, but an innocently amused observer of romantic *faiblesses*.

The conductor Riccardo Muti lent vivid musical life to the evening not only by crisp Italian brio — and a complementary habit of lingering raptly over key emotional moments — but with many intriguing experiments with tempi, especially in sections of Mozart's gloriously extended finales. Often he thrust received conventions quite aside, and administered a whole series of original little surprises, perhaps surprising even himself once in a while. It is very pleasant not to have *Cosi* treated as hallowed monument — and there were geneuine insights on offer.

The Mozart was played in the old Kleines Festspielhaus, where it belongs. It was sad to hear that it will be closed for re-building during next year's festival, and dismaying to think that the operas must all inhabit either the Felsenreitschule, majestic but problematic, or the Grosses Festspielhaus, the gleaming mausoleum with which Herbert von Karajan transformed the face of the festival. Sour reflections were prompted by a Karajan concert with the Vienna Philharmonic in that daunting place: all Chaikovsky, with young Anne-Sophie Mutter — a Karajan protégé — to play the Violin Concerto.

The orchestra was in keen form, springing to Karajan's brisk tempi in the fourth symphony (it never sounded like an ageing maetro's performance fragile though the maestro now appears to be) and giving him the biting stridency he apparently wanted in climactic brass. Miss Mutter is a superlatively accomplished violinist, though her Chaikovsky often had (as well as some flat pitch) the tasteful delicacy apt for Mendelssohn: old Hanslick would not have thought the Finale a "stinking kermesse" in *this* reading.

But what has such stuff to do with Salzburg and its festival? The town is not starved for routine concerts during the rest of the year. Those of us who loved the festival before the Grosses Festspielhaus, in the days when a kilo of grapes bought in the market usually proved to contain a half-kilo of wasps, are not going to be reconciled to the new cosmopolitanism, with something super-charged and expensive for every kind of taste (few Salzburgers now can afford the main events of their own festival). We would rather even have the wasps back.

Once Upon a Mattress/Watermill, Newbury

Michael Coveney

The Watermill at Bagnor, near Newbury, one of the most delightful theatres in the land, has a delightful show to match its restful countryside surroundings. Wendy Toye has revived this 1959 quirky mock medieval musical to fantastic and witty designs by Joe Vanek and has brought to the Berkshire hinterland not only a first-rate cast but also the first-rate musical direction of Stuart Pedlar, who leads his colleagues on percussion and harp from the piano.

Mary Rodgers, daughter of Richard, wrote the score, which contains two knockout blowzy numbers for the uncouth Princess Winifred, latest contender from the swamps out in the sticks for the hand of Prince Dauntless. The story of the Princess and the Pea was the show's starting point; only a true princess could possibly sleep on 20 mattresses and still feel troubled by the tiny vegetable placed under the bottom one.

Carol Burnett played the Princess on Broadway and must have had a field day with "The Swamps of Home" and "Happily Ever After" (a blusey fairy-tale skit for a girl with not even seven dwarfs to fall back on). Miss Toye has cast Sally Dexter who first came to my notice in a LAMDA revival last summer (directed by Miss Toye) of Rodgers' and Hart's *Babes in Arms*. She is a big girl, to put it mildly. And, again to put it mildly, she is vastly talented. She exudes the most wonderful bumpkin fleshiness to offset the poisonously hilarious disapproval of Vivienne Martin's vetting Queen Aggravain, and she sings in a jazz style at once tempestuous and controlled. A star in the making.

The style of the production treads most skilfully that difficult line between affection and camp, encompassing the svelte wimpishness of RSC graduate Allan Hendrick's Prince Dauntles, the zany, boney expressiveness of Charles Lewsen's King Sextimus (a role previously taken by Buster Keaton in New York and Max Wall in London), and the coy insouciance of Erin Donovan's serving lady, a twinkling cameo suggestive of Elaine May with a Mummerset accent.

The sharp lyrics by Marshall Barer (who also supplied the book, with Jay Thompson and Dean Fuller) are complemented in the neat and snazzy designs and clever costumes. Douglas Hodge, for instance, another rising actor lately impressive as Nicky Lancaster and Romeo, reveals he can sing while wearing a spangled white motorcycle suit as the Lancelot-like Sir Harry.

The action is contained in this snug and galleried auditorium on a candy-coloured cut-out castle on which Miss Toye has devised some quirkily effective choreography with time even for a quick joke (a blast of *Bolero* and company collapse) relating to her recent engagement by Torvill and Dean. This quirky, original and entirely trivial show plays at Newbury until September 7 after which date I could envisage it settling quite cosily into, say, the Duchess or the Ambassadors. But neither of those smog-bound venues has a picturesque river in which you can drop Pooh sticks, or a lawn on which you can play croquet, or a restaurant where you can eat in comfort either before or after the performance.

The Caucasian Chalk Circle

Michael Coveney

The National Youth Theatre's Texaco-sponsored summer season continues at the Jeannetta Cochrane with an ambitious but muddled production of Brecht's rambling instructional epic. In the prelude, two rival collectives of Georgian farmers are in dispute over a valley. The play proper shows how the heroic kitchen maid, Grusha, saves a governor's child after the city has been ransacked and burned; thanks to the sage but eccentric adjudication of Azdak, a local drunk elevated to the position of judge by the rebelling soldiers, she repels the maternity claim of the governor's wife. The child belongs to its true practical mother just as the valley should belong to those who cultivate it.

Any *Chalk Circle* must first make something lucid and comprehensible of the prelude among the farmworkers. Secondly, it must make clear that the second-half appointment of Azdak occurs during a flashback to the initial upheaval when Grusha rescues the child. While Edward Wilson, the director, makes certain of the individual scenes vivid, the evening suffers from an overall slackness and rather too much of the studied "acting" we should not expect from the NYT.

Azdak, for instance, is delivered by the confident Jonathan Cake as a monotonously extravagant comic turn, a strange mix of Leonard Rossiter and Alfred Molina. The slyness of Azdak, almost his most predominant characteristic, is totally swallowed in Cake's mouthings and posturings, most of which look as though they have been worked out in front of a mirror. Important information about Azdak's ironic rise is lost in the arid showiness of the performance. Azdak, no question, is a star role. But Cake's mistake is to act on that assumption.

On the credit side, the blank charm of Judy Browne's Grusha, her touching sincerity and the affecting loyalty of Jonathan Stone-Fewings's Simon, the man she sees across a river and finds across the war, are imbued with the correct Brechtian quality. Grusha's flight from the Ironshirts, especially the negotiation of the precipice, has been more excitingly handled and the grim materialism of her brother's wife more stridently pointed.

The score is the one composed by Colin Sell for the Derby Playhouse last season. It has a slight Georgian aroma, especially in the processional and ransacking scenes; elsewhere it is not exactly reminiscent of Dessau but, shall we say, a little too intimidated by him. There is, however, some good writing for the two pianos (Alex Allen and William Oxborrow) and, often in interesting counterpoint to the vocal line, for the flute (Victoria Stacey). The singer is very well sung by Patrick McClure, but the production fails to make of him more than a po-faced link man.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

August 16–22

Theatre

VIENNA

Vienna's English Theatre: Painting churches by Tina Howe. Mon to Sat. Performances in English. (42 12 60).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Bach Suites/Elizabeth Hall

Dominic Gill

The manifest and unarguable benefits of hearing Bach's music played by the *kind* and *number* of instruments for which Bach originally conceived its performance hardly need rehearsing here. Suffice it to say that, although "authentic" performances of baroque music are far more common today than they ever were, they are not yet commonplace and so still deserve special note; and that since Bach's four orchestral Suites are still far too often played by too-large orchestras, on modern instruments, in romantic style, the Amsterdam Baroque Orchestra's concert on Monday night was, for that reason alone, a special delight.

The marvellous answering counterpoints and antiphonies between the two trios of oboes and trumpets in the fourth Suite are never so clear, or so startling, played on modern instruments — though to be sure, all the wind instruments of the ensemble (especially the temperamental valveless trumpets) took a little while to settle in this opening work of their programme: which was just a marginal pity, since the Overture of No 4 is possibly the greatest movement of any of the Suites.

The rhythmic spring of Ton Koopman's harpsichord playing inflects the whole of the ensemble: by means of rhythmic emphasis alone, and buoyant phrasing, the Courante of the C major Suite was transformed out of its sometimes slightly gluey modern-instrumental disguise into an unmistakable, sparkling dance. There seems little danger that the Amsterdam players will let the manner become mannerism: in their hands it still has splendid freshness—though the conviction of Monica Huggett's violin legato in the famous Air of the third Suite did tend occasionally to fade a little wanly, a little too "baroquishly," at the edges. There is nothing so tentative to full-blown Bachian romance.

Les Arts Florissants

Les Arts Florissants did not make their UK debut at the Edinburgh Festival this year as reported on this page yesterday. Their first appearances were in 1983 at New College Chapel, Oxford and the Early Music Centre Festival.

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Wednesday August 21 1985

Two reasons to join the EMS

BY SHEER coincidence two bodies with little in common but a respected record in economic analysis have today published strong arguments why Britain should stop dithering and take up full membership of the European Monetary System. The National Institute of Economic and Social Research states a mainly cosmetic case: British monetary policy has failed in the last six years to deliver on its promises, and its gyrations have produced swings in competitiveness which may have done permanent damage to the economy. The economists of the Morgan Guaranty Trust in New York argue the domestic case more in terms of markets and expectations, but show too what the EMS has already achieved for its fully active members, and what it could achieve for Europe as a whole were its membership completed.

Prospects

Before we come to these arguments, it is worth sketching the prospect we face on existing policies. The National Institute, which has in the past been rather gloomy about the outlook, now appears to speak for something like the consensus. This is good news so far as the inflation prospect is concerned—the Review reinforces the widespread City view that inflation will now fall rapidly, and thus ensure a further year of healthy growth for consumer incomes.

For growth and employment, however, it is the consensus which has joined the National Institute; high interest rates and falling investment will make 1986 a sadly flat year, in which the recovery which has been in train since 1981 will slow to a crawl or peter out altogether. Yet the National Institute appears to endorse the Government's policy of setting a fairly demanding exchange rate; it estimates that a downward correction (for which the CBI, for example, has been campaigning) would within two years throw away recent gains against inflation with only marginal benefit to activity, and lower real incomes.

This is hardly an inspiring prospect, politically or economically; but both analyses argue that there is a better alternative which need not put any of the Government's central objectives at risk. The central point in both arguments is simply that uncertainty about the future exchange rate is damaging in itself, regardless of the real level of the rate.

The National Institute sees this as principally affecting UK exporters, who must remain uncertain about their profit margins in what is overwhelmingly their biggest potential market. This inhibits investment, in sales and promotion as well as in productive capacity; and furthermore, episodes of gross exchange rate over-valuation may lead to shift in the pattern of trade and investment which can only be reversed slowly, if at all. The U.S., of course, is currently confronted with this particular problem on a massive scale, as its domestic producers have diverted their productive investment overseas. Periods of under-valuation, on the other hand, may tend to inflate wage claims in response to higher consumer prices, and thus turn a temporary setback in trade terms into a cost spiral.

Morgan, with its experience of markets, adds another powerful argument. Membership of the EMS has in fact, as it shows, produced much greater convergence in inflation and growth between its member economies than could have been expected without it; and the greater weight of the group has also produced much less volatility in terms of trade with the outside world than the UK has experienced. As a result the markets attach substantial weight to membership, and demand relatively small risk premiums in the interest rates which will attract investors to hold member currencies. In short, the UK could achieve any desired stable relationship with the currencies of its European trading partners at substantially lower interest rates inside the EMS than outside it.

Morgan also argues that membership would make wage pressures more manageable by concentrating the minds of employers on competitiveness — and perhaps, we might add, by stifling the hopes than a sufficient noise from the CBI would force the Government to validate excessive settlements by devaluation.

There are, of course, possible dangers as well as rewards in joining. The oil market could still be a source of disruptive shocks — though less so, in Morgan's judgment, since North Sea output is now on a gently falling plateau. There may also be growing tensions within Europe as the stimulus of the U.S. trade deficit ceases to grow, when pressure on Germany to reflate may become more intense. But the UK will have to adjust to oil shocks under any regime, and will wish to have a voice in the European economic debate; both adjustment and influence would be easier to achieve as a full EMS member.

Timely reforms in Frankfurt

THE FRANKFURT Stock Exchange celebrates its 400th anniversary today in the middle of a quiet—and highly desirable—revolution on the West German capital markets. Those who gather for the festivities from the banks, the Bundesbank and the Government can well afford some mutual back-slapping over the improvements made in the last year or two. But without trying to undermine the birthday party, it must be said that much remains to be done.

On the positive side, after years of torpor there has been a burst of West German companies coming to the stock market for the first time. They include names well known internationally like Porsche and Nixdorf, as well as small, high technology companies with, at most, a national reputation. Broadly speaking, investors have gobbled up the new shares offered and cried out for more. True, a lot of foreign buying has been involved but there is now quite enough evidence to disprove the old adage that cautious Germans will always tend to cold-shoulder the stock market because "they don't like investments which go up and down."

This trend is being encouraged in two ways. The Government has introduced legislation authorising a change in stock market structure which will make it more attractive for medium-sized enterprises to "go public." And the Frankfurt bourse is heading a reform drive which should go far to cut costs and duplication of effort among the country's eight stock exchanges.

All this is not just desirable but much overdue. To foreign observers it always seemed astonishing that a country with West Germany's economic weight should have so moribund a stock market. Finally it was the second oil crisis, more than anything, which acted as a catalyst for change, by cruelly exposing the weak capital base of so many West German companies heavily reliant on bank borrowing.

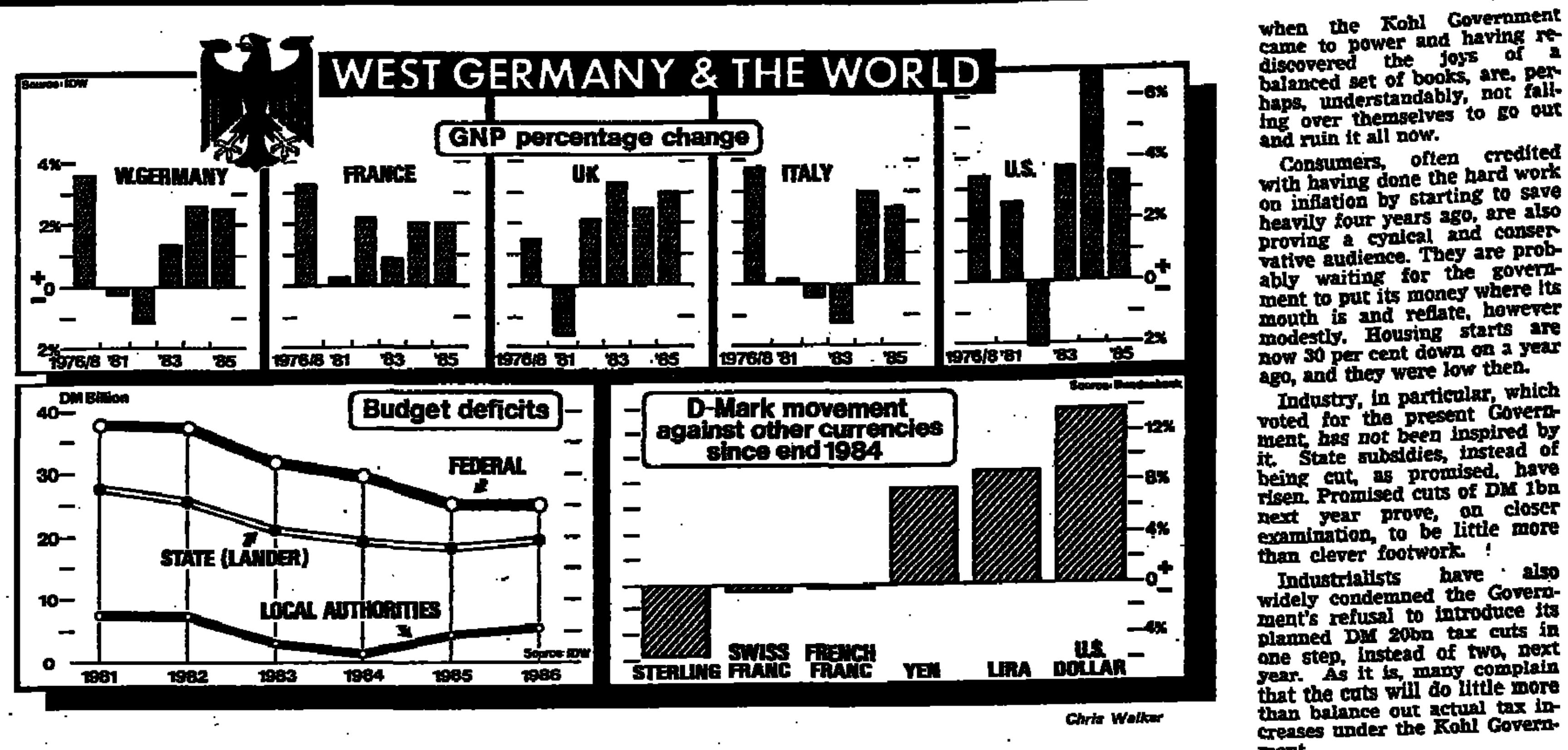
Meanwhile, the Bundesbank has launched a liberalisation drive of its own, giving the green light to innovative financial instruments (such as floating rate notes) it once frowned on. In due course, all this could mean a shift in the way West Germany is viewed from abroad—not simply as an economy with a top class manufacturing sector but with lively, inventive capital markets as well.

Half-hearted

The accent there is on "in due course." To keep a sense of perspective it is worth pointing out that in West Germany's bumper "new issue" year 1984, a total of 21 companies came to the stock market while 163 did so in Britain and more than 400 in the U.S. The banks must keep up the pressure on the often publicity-shy enterprises, if the new issue business is not to fizzle out in the next recession.

The Government could do more, too. It has in general been too half-hearted in its moves to put state holdings in private hands. True, Dr Gerhard Stoltenberg, the Finance Minister, has run into special problems in his bid to cut the government stake in Lufthansa, the airline—but he should be firmly encouraged to keep up the pressure. Bonn has also failed to abolish the Börsenumsatzsteuer (stock market stamp duty), although this levy is an obstacle to the investors the government says it wants to *encourage and brings relatively* little revenue to boot.

Finally, the Frankfurt exchange needs little reminding on its 400th birthday that international competition is tougher than ever before. But it is worth recalling that the turnover of some key West German stocks in London last year exceeded that of the same stocks in Frankfurt (easily the biggest West German exchange). If some of the smaller West German exchanges dig in their toes over stock market rationalisation plans, then Frankfurt and Dusseldorf (the next biggest) should go it alone. The real challenge comes from abroad—and time is pressing.



Chris Walker

The battle to sell the good news

By Peter Bruce in Bonn

SUDDENLY, there seems to be a shortage of skilled labour in West Germany. The steel industry complains it cannot find enough chemists, physicists and electrical engineers. The chairman of a big Hamburg employment agency appeals on television for 1,000 fitters, turners, engineers and computer programers. In Baden Wurttemberg, a plant and machinery contractor is looking for 1,611 trained men and women.

While the fact that some German companies may be undermanned is worrying, Chancellor Helmut Kohl and his centre-right coalition partners would be less than human if, as they trickle back to Bonn from their summer holidays, they fail to hide an extra spring in their step.

It was not like that four months ago. Bad weather at the beginning of the year literally froze economic activity. GNP fell 1 per cent in the first quarter from the final three months of 1984, and fretful ministers began to concede that their modest forecasts of 100,000 people coming off the record post-war unemployment statistics this year looked implausible.

The country had begun the year in the middle of an export-led recovery with the Government's heart set on a domestic recovery to rival it, if not outpace it, in order to be able to demonstrate to a generally unenthusiastic electorate that tight fiscal and monetary policies were beginning to work.

A domestic recovery is vital to the Government because exports are expected to begin to flatten or even fall next year, particularly those to the U.S., which has easily been the biggest growth market in the last two years. The Deutsche Mark has already strengthened by 13 per cent against the dollar this year and, according to the DIW research institute in Berlin, import prices fell in the second quarter, while export prices have risen.

Many of Germany's major manufacturers have made no secret of their good fortune abroad, and, at best, disappointing sales at home. Mannesmann's domestic sales fell last year by 8 per cent while exports from Germany rose by 22 per cent. At Fried Krupp, exports rose 14 per cent while sales at home stagnated. Bayer's sales in the U.S. were higher then at home for the first time. GHH, which also owns the M.A.N. truck producer, reported a 6.5 per cent drop in sales at home for the financial year to last June 30, but said exports had risen 22 per cent.

While domestic sales at Volkswagen have fallen by some 10 per cent for the first half of 1985, the car manufacturer has achieved record turnover in Europe, boosting its share of the market from 12 to 13 per cent.

Manufacturing output improved 1.5 per cent in the second quarter, and so did GNP, by the same measure. Cautious forecasts of annual GNP growth of 2.5 per cent, following 2.6 per cent last year, have now been resurrected.

Better still, there *are* signs of movement in the domestic economy, which has remained sluggish since a mini consumer boom petered out soon after it started early in 1983, when Chancellor Kohl was elected.

Even in the first quarter of this year, domestic capital investment was 9.5 per cent up, in real terms, on the same three months of 1984 as corporate profits recovered — mainly due to buoyant exports —and profit prospects continued to look good. The Bundesbank (Central Bank) has estimated that manufacturing profits rose 27 per cent in 1983 and last year, although from an admittedly low base.

The IFO institute in Munich, which regularly surveys investment intentions says manufacturers are likely to increase capital investment by a real 12 per cent this year, nearly double government forecasts of eight months ago.

As far as Chancellor Kohl and his ministers are concerned, these are all signs of an economy reasserting its natural strengths under a political leadership which reduced sharply the federal budget deficit it inherited, enabling the introduction next year of a two-stage DM 20bn tax cut. It also claims credit for holding down inflation to just over 2 per cent—the envy of its neighbours and trading partners.

Statistical victories are becoming increasingly important to Chancellor Kohl. He faces an election in 18 months, and it is vital that a clear recovery at home is in place well before then. Former Chancellor Helmut Schmidt was toppled in late 1982 despite indications then that the country was coming out of its last recession. Inflation, at just over 6 per cent, had begun to fall.

The next few months are likely to prove something of a strain. Is what looks like a resurgence in the domestic market for real? Will the demand for skilled workers fade? The decision last week by the Bundesbank to lower its key Lombard rate by half a percentage point to 4 per cent —its first move down in more than two years—may have been sensible, but it was also political. Dr Gerhard Stoltenberg, the Finance Minister, was breaking new ground by appearing with the chief of the Bundesbank, which is theoretically independent of government, when the interest rate cut was announced. The message to Germans is "spend your money."

The sheer frequency of calls to local authorities to embark on investment programmes and to consumers to *go out and* buy items such as microwave ovens perhaps betrays a high level of uncertainty in Bonn over the strength of the domestic recovery. There is little sign yet that consumers are increasing spending significantly and while industry may be converting its investment intentions into orders, comparisons with a year ago may be misleading because spending patterns were affected by the metal workers' strike last summer.

Neither is it clear what the investment is flowing into. When the government calls on industry to spend more, it means investment which would create jobs. But there are signs throughout German manufacturing that *money is going* into replacing existing capacity and that the new plant and machines are being bought because they do *not* create jobs but save on them.

Certainly, the construction industry, which could be expected to benefit from any increase in industrial capacity, continues to flounder in its worst crisis since the war. With annual business worth around DM 260bn, construction is the biggest single element in the economy, but it will shed 200,000 jobs this year and some 2,000 companies in the sector are likely to become insolvent. There is no good news from the construction industry, apart from a slight increase in civil engineering inquiries.

Ministers and their senior bureaucrats, however, have already begun to talk of construction having won its battle, of being on the up again. It cannot yet be true, but it is a sign of the times — and of the pressure they are under to make the economy work without breaking faith with deflation — that investment "intentions" tend to become money already spent, that building "inquiries" become foundations already laid.

Despite efforts by Ministers to portray domestic investment as having become the "second motor" in the economy to exports, this is clearly not the case. The country's record trade surplus of DM 54bn last year will probably be obliterated this year by one of DM 70bn—the Organisation for Economic Co-operation and Development has estimated that exports accounted for one-third of GNP growth last year and will probably account for half its growth this year.

The Deutsche Bank appeared to give a warning recently against reading too much into investment in the capital goods industry. "Behind the positive overall trend there is a clear split in the economy," the bank said in June. "Firstly, there are strong differences between activity in export-oriented (sectors) and in more domestic-oriented ones. Secondly, the individual components of domestic demand are also following an uneven course:

"Such extreme divergence between, on the one hand, investment in machinery and equipment and, on the other, private consumption and construction investment is quite unprecedented. Great caution is necessary in applying general statements about the economy as a whole to the development in individual (sectors) or companies."

But even if ministers are trying to "talk up" the economy on the strength of a few important sectoral improvements, there is no hiding their genuine concern at the recovery's apparent inability to cut unemployment, which has been at a post-war high for every month of this year, and currently stands at just over 9 per cent with 2.2m people jobless.

The Government is being extremely cautious about predictions on unemployment while at the same time admitting the numbers out of work have reached crisis proportions.

Chancellor Kohl seems to have calculated that his best hope of minimising the political impact of the numbers on the dole is to try to draw the unions into a national debate on the problem, crossing political lines. For the moment, thanks largely to Herr Norbert Blum, the Labour Minister, who established a rapport with the unions after last summer's strikes in support of a shorter working week, the effort has remained intact.

If the country's recovery was less modest, and if Bonn was looking at growth this year of, say, 6 per cent (by which amount, coincidentally, the economy has grown since the end of 1982) the debate about uneven sectoral recovery and possibly even over-high unemployment might not be so intense.

As it is, Chancellor Kohl's team is discovering that it is a great deal easier to depress the electorate than it is to excite it. Local authorities, having been cajoled into cutting investment when the Kohl Government came to power and having rediscovered the joys of a balanced set of books, are, perhaps, understandably, not falling over themselves to go out and ruin it all now.

Consumers, often credited with having done the hard work on inflation by starting to save heavily four years ago, are also proving a cynical and conservative audience. They are probably waiting for the government to put its money where its mouth is and reflate, however modestly. Housing starts are now 30 per cent down on a year ago, and they were low then.

Industry, in particular, which voted for the present Government, has not been inspired by it. State subsidies, instead of being cut, as promised, have risen. Promised cuts of DM 1bn next year prove, on closer examination, to be little more than clever footwork.

Industrialists have also widely condemned the Government's refusal to introduce its planned DM 20bn tax cuts in one step, instead of two, next year. As it is, many complain that the cuts will do little more than balance out actual tax increases under the Kohl Government.

Another important structural reform the Government promised to undertake was to reduce its own stake in industry. So far, however, the Finance Ministry has done little more than sell some shares in a company, VEBA, which it did not own anyway. A small "privatisation" programme is now under way but, to the irritation of many businessmen, it has become bogged down in political horse trading and would not, even if successful, involve the state losing control of anything it does not already control.

Nevertheless, industry would probably choose this government again. It makes the right noises and manufacturers concede the handling of the D-mark has worked to their advantage. In fact, there seems little reason to fear that even a major strengthening now of the D-mark against the dollar, provided it was gradual, would badly upset German competitiveness in the U.S. But the government would be faced with a greater problem if it had to revalue the currency within the European Monetary System before a domestic recovery has time to take root.

Nearly half of Germany's exports stay within the EEC, and revaluation would threaten those. Funds are beginning to flow into the country as the dollar weakens against the D-mark and this is bound to increase pressure for an EMS realignment. Equally, however, other Community central banks are understood to have increased their D-mark holdings and could defend their currencies if the need arose.

Has this been a lucky government so far? Without detracting from its fiscal successes, it seems probable that the extraordinary strengths and depth of West Germany's manufacturing industry would have ensured exporters their place in the U.S. recovery and other international markets even if there had been no change of government in 1982. Capital goods exports to the U.S. have continued to grow strongly this year despite the rapid slowdown in growth there. It seems inevitable, however, that the skills in Chancellor Kohl's cabinet are going to be put to much sturdier tests as the election, promised for early 1987, approaches.

Men and Matters

Bergerac avoids the pantry

Michel Bergerac, chairman of Revlon, cannot disguise his incredulity at the $1.8bn bid for his company by Pantry Pride, a corporate predator thinly-disguised as a Florida supermarket group.

"It is only possible in this country" sighs the French-born Bergerac, aged 53, who was hauled out of ITT Europe 10 years ago to be heir apparent to Charles Revson, the brilliant but eccentric founder of one of the world's best-known cosmetics companies. "This is the only country I know of where you can raise enormous *amounts* of cash without any collateral, or assets. This is why it allows people to make bids which do not have any sense."

He says scathingly, "If you look at Pantry Pride their only assets are $300m of tax losses. They have just raised $700m in junk bonds which will result in annual interest costs of $100m against earnings of $5m. It is ridiculous."

Wall Street punters, who are becoming expert at assessing junk bond financed take-overs, are not so sure. For millions of women the name Revlon is synonymous with the beauty business. But on Wall Street it is a name that has lost much of its former glamour.

"It used to be a wonderfully-run company which has fallen on hard times now," said one Wall Street professional yesterday.

Last year the company rejected a leveraged buy-out proposal from a group of investors led by J. A. Frates, Kaiser Steel's chairman, and Martin Revson, brother of the legendary Charles Revson, who had turned his Revlon Nail Enamel company into America's leading cosmetics group.

Martin, who had helped his brother found the company in the 1930s, quit in 1958 and sued his brother for fraud.

Revlon made its name and its millions with the rapid growth of the lucrative cosmetics business in the 1940s and 1950s.

Charles Revson dominated the company's affairs until he died in 1975. One of his last acts was to bring in Bergerac who was promised a then unheard of $1.5m a year, and given a contract that expires in 1992.

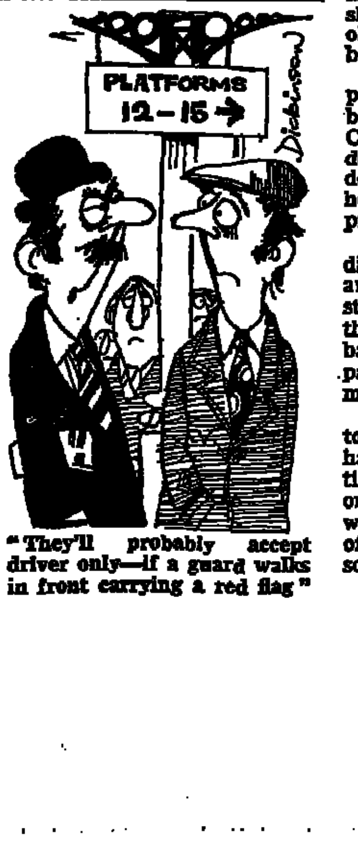
Under Bergerac's direction, Revlon's infant health care business grew until it now accounts for half the group's sales.

But Bergerac's rapid diversification has not been able to keep pace with the collapse in profits of the group's cosmetics business where annual earnings last year were less than half those of three years ago.

Bergerac is confident that he will win the day. He has spent many hours analysing why Sir James Goldsmith was able to win control of Crown Zellerbach in spite of its famed "poison-pill." As a result his advisers have come up with a newly-designed pill.

Bergerac has met Ronald Perelman, an investor in his early forties who controls Pantry Pride, on the basis that "before going to war one should try to make peace."

Perelman is getting out of the supermarket business and is turning his new venture into a cash-rich corporate shell, "that will head into whatever new businesses seem appropriate."



"They'll probably accept driver only—if a guard walks in front carrying a red flag"

Frankfurt's 400

Karl-Oskar Koenigs could certainly have found a more relaxing way to spend his 61st birthday today. But the Frankfurt stock exchange, of which he is president, got in the way with a birthday of its own—its 400th.

For Koenigs that means a heavy bout of speechifying and handshaking as dignitaries assemble in Frankfurt's Paulskirche to honour Germany's oldest (and much the biggest) bourse.

The imperturbable Koenigs, a partner in the venerable private bank, B. Metzler seel. Sohn und Co, has never been one to turn down touchy tasks. Take the delicate circumstances in which he accepted the stock exchange presidency.

His predecessor, Mount Ferdinand von Galen (now under arrest charged with fraud) stepped down in late 1983 after the near collapse of the bank in which he was a senior partner, Schroeder, Muenchmeyer, Hengst.

Everyone turned to Koenigs to take on the post which he had held before with distinction. He accepted, initially for one year—then for another. He will definitley quit at the end of this year, no doubt with some relief.

But before he goes, Koenigs is hoping to push through a plan he has masterminded, which would cut costs and duplication of effort among the eight German stock exchanges.

Trying to get the eight to agree on anything is about as easy as achieving accord on farm prices in the EEC. It needs firmness and a highly diplomatic approach. Most people agree that if anyone can get the "Koenigs plan" through, it is Koenigs himself.

Space shots

Engineers at the U.S. civilian space agency who, it must be said, are a little jealous of the large sums of money that the *Pentagon is spending* on military space applications, have come up with an ingenious way to cream off some of the loot from the defence department.

The idea to promote a profitable enterprise in space concerns what is known as the tethered satellite project. According to the plans of the National Aeronautics and Space Administration, in 1988 a space shuttle will zoom around the earth dragging behind it a long cord with a satellite on the end —a sort of cosmic yo-yo.

The project is supposed to advance the cause of science. Loaded on the satellite will be substances whose behaviour under low gravity will be studied. Yes, it does sound a bit boring.

But the engineers at Nassa's Marshall space flight centre in Huntsville, Alabama, say they could make the experiment much more exciting. Their idea is to rent the towed satellites to the defence department for space target practice under he $26bn Star Wars programme.

Military scientists could have fun zapping the satellites out of the sky using prototype laser weapons.

Huntsville scientists have written to the Pentagon asking for cash to finance the experiment, thus rubbing in the point that their idea is not simply pie-(or yo-yo)-in-the-sky.

Observer

BRADFORD TODAY

Less muck, but less brass

By Nick Garnett, Northern Correspondent

BEHIND THE smoked glass of Bradford's successful Listerhills science park, 18 small businesses are trying to make headway in the technology of the 1980s The sprinkling of BMWs parked alongside the futuristic single-storey office units indicates that many are getting there.

But, sadly, this new venture seems cruelly to underline the daunting problems facing one of the most hard-pressed cities in Britain.

Fifty yards away from this small enclosure of modems and software, a group of Asian children sits on a rusting slide in the midst of one of Britain's most decaying urban environments. A heap of domestic rubbish burns unsupervised next to a glass-strewn play area. A cleared stretch of grass and weeds, several times larger than a soccer field, is ringed by three-storey stone houses, many derelict, others still providing some form of family home.

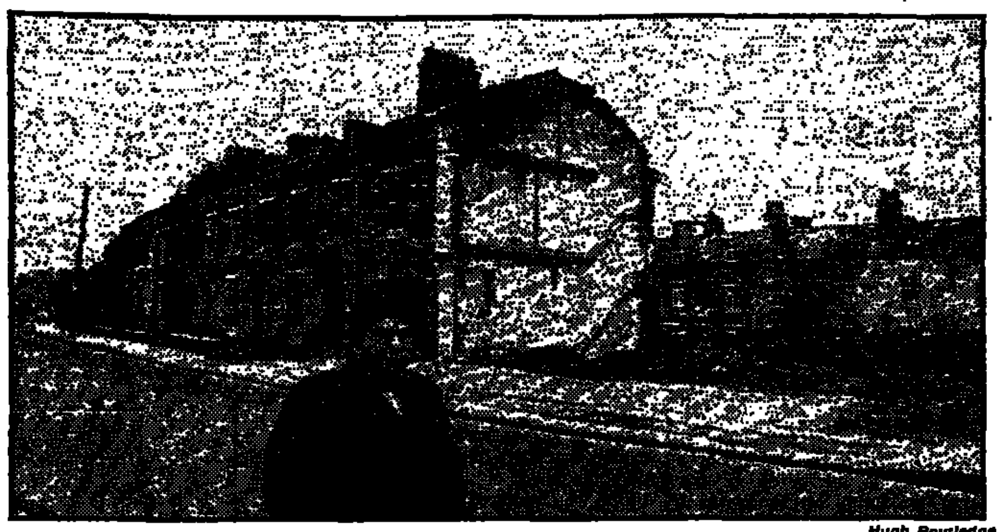
This is but a small part of the pockmarked landscape of empty mills, waste land and unkempt terraced housing which spreads out in several directions from the West Yorkshire city's attractive commercial core.

Relieved only spasmodically by decent housing and busy factories, Bradford's sprawling inner areas, home for most of its 300,000 inhabitants, convey an unremitting sense of physical decline. "Be careful what you write," says one prominent textile manager. "This city is in danger of losing its self-respect."

The picture contrasts starkly with the city's public face. Bradford was singled out in the recent Young report on tourism for the ground-breaking efforts made by the council to attract visitors. It benefits from the country's third biggest conservation programme. Some £2m has been swallowed up in the refurbishment of the St George's Hall concert rooms, £9m on the Alhambra Theatre, £0.5m on the Wool Exchange.

The fine stone warehouses of the "Little Germany" merchants' district are now smartly cleaned and the large National Museum of Film Photography and Television opened. Low-lit and ritzy wine bars and cocktail lounges mushroom.

Environmental improvements in some of the older housing districts have paid off and great strides have been made in providing lavatories and bathrooms. A massive programme of cleaning the stone facades of the city's basic housing stock has been very successful.



A street scene in Manningham, a suburb of Bradford — Hugh Routledge

Yet these advances cannot hide the pressure exerted on Bradford by economic decline, population growth and lack of cash. For many Bradfordians the glossy posters for the travel market have a hollow ring. The city in effect is run by what many council officers refer to as "crisis management." Bradford will have to cope with the highest population rise of any metropolitan district (including the London boroughs), according to the Office of Population and Census Surveys. The number of five-to-15-year-olds is expected to jump by 15 per cent over the next decade in a city already short of new housing, with a fractured economic base and 16 per cent unemployment.

It has the lowest cost of living in Britain, a reflection in part of an historically low wage economy. Few cities have experienced such a large migration of the middle class to the outer areas of the district, leaving behind a lopsided social structure. In the inner area of the Bradford Met District, including the inner core of Keighley, a town 10 miles away in the same local authority boundary, 70 per cent of households have no car. In nearby, affluent Ilkley, the figure is just 30 per cent. The number of children entitled to free school meals has doubled since 1980 and in more than 30 first schools, the majority of pupils eat free meals. Some 2,000 "concealed" families are living with their parents because they cannot afford to move out.

Bradford had the foresight to set up the first economic development unit of its type six years ago. Its "myth breaker" campaign, assisted area status and local financial grants have been partially successful in plugging some of the gaps left by a shrunken wool textile industry and the closure of its biggest manufacturing sites like those of International Harvester and Thorn.

Most of Bradford's remaining textile companies are thriving and its network of small businesses will always generate wealth, but this cannot compensate for the city's mounting problems of poverty.

That is largely divorced, however, from the city's environmental ills. A group of housebuilders has just pulled out of a scheme to build 750 new homes in Listerhills, partly because of difficulties in attracting enough urban development grant, but largely because of offputting arithmetic and the fear that new houses will be worth less in the middle of Victorian decay. Some old terraced houses in Bradford sell for less than £8,000, which is way below what a new house costs to put up.

Yet Bradford is desperately in need of all kinds of new buildings. With an Asian population averaging almost six people to a family and a non-white population expected to rise from just over 60,000 to more than 90,000 out of a total of about 460,000 in the next decade, the local authority estimates it needs 16,000 new houses over that period. This pressure has already altered Bradford's architecture — dormer windows in thousands of house roofs are the tell-tale sign of large families.

On current building trends, only half the needed houses will be built. The council constructed just 80 houses last year—all sheltered accommodation for the elderly—with almost all its cash going into house repairs. The amount of money the council is allowed by the Government to borrow for all housing work is £16m this year against what it says is a need for £41m. "If current trends continue, this gap will widen to £44m by 1991," the council argues.

At the same time, 3,500 council flats will need major repairs or modernisation in the next few years and 1,300 will have to be demolished, including 800 in one square. Outer estates like Bierley and Holme Wood are showing some of the structural problems and social stress that are common in Liverpool.

With an expected increase of over 10,000 in the school rolls in the next five years, 12 schools need to be built. More than a half of Bradford's existing inner city schools are over 80 years old.

Though there have been council initiatives such as the health centre near Manchester road where a community spirit is being fostered, many people criticise the local authorities over the past 30 years for ill-conceived road widening schemes and destruction of neighbourhoods.

"People find it easy to retreat into individual problems. Rome is burning and the council is arguing over a new pig cleaning machine for the abattoir," says Mr Chris Hughes, the council's Team Leader, Special Projects. "I think the Government has put provincial towns out to grass."

The deep-rooted parochialism of the Pennine cities seems to have rebounded on Bradford. "I don't think people recognise the mess. They just seem to get used to seeing this squalor," says one businessman.

"Do we plan for decline or do we reject that as an option?" asks Chris Heald, Team Leader in Forward Planning. "We shouldn't accept fatalistic out-migration. We have to decide what initiatives to take. It's partly a money problem, it's partly being more aggressive and innovative." Self-help of this kind, based on common action by residents, is already transforming two of the most historic and decrepit housing squares in the city.

A team from the Department of the Environment visited Bradford last month at the invitation of the city to look at the physical symptoms of decline. Next month, Bradford 2000, a conference organised by the council and including businessmen, trade unionists and politicians, is being staged to try to weld a consensus as to where the city should be heading. This is part of a long-term project to replace year-by-year problem management by a coherent medium-term strategy, says Mr Mark Foster, who heads what is known as Project 2000.

Bradford was once the archetypal community that introduced "where there's muck there's brass" into the English language. The industrial muck has gone now and, with it, much of the city's brass and brash self-confidence. To get them back requires a mountainous effort and much more financial resources than the city now has at its disposal.

UK monetary policy

How the bill mountain could be scaled down

By Andrew Bain

THE BANK of England's bill mountain has become an embarrassment. It has made the Bank the dominant force in the bill market and, though the scale is disputed, created opportunities for arbitrage, thus swelling company borrowing and liquidity simultaneously.

Arbitrage of this kind is one factor causing difficulty in the interpretation of monetary aggregates, which still play a central role in the conduct of monetary policy. Furthermore, the overfunding of the PSBR which is needed to finance the growth of the Bank's bill portfolio is alleged to have kept long-term interest rates unnecessarily high, thus discouraging companies from funding their short-term borrowing.

There can be no doubt that if the bill mountain would melt away the authorities would heave a sigh of relief. But it will not disappear so easily. For the Bank's policy of overfunding the PSBR is a response to conditions in the UK capital market, and unless these conditions change overfunding may continue to be the most effective policy.

The fundamental cause is the fact that, while a substantial proportion of private saving in Britain is directed towards the long-term institutions, private borrowers prefer to obtain finance from banks and building societies. At current interest rates variable-rate loans are much more attractive to borrowers than the fixed rate long-term loans which suit the institutions.

Until inflation has fallen decisively this situation is likely to persist, because the institutions, which have other more attractive outlets for their funds both at home and abroad, will be reluctant to increase their long-term loan holdings at significantly lower interest rates. Nor, unless short-term rates rise considerably, will they wish to invest in shorter-term variable-rate paper.

The upshot is that a very important part of private saving in Britain has not been flowing readily to private borrowers. By overfunding the PSBR the Bank has stepped in to provide a remedy—it has supplied the institutions with long-term fixed interest loans of the kind they like, and has used the proceeds to buy commercial bills, thus satisfying part of the private sector's demands for credit.

If interest rates are unlikely to fall sufficiently to attract borrowers to the long-term market, what can be done to contain the bill mountain and reduce its ill effects?

Direct controls on the supply of credit can be ruled out as ineffective and damaging. Ineffective, because there are too many banks and building societies to control, too many opportunities for companies to go offshore for funds, and too easy recourse to inter-company loans. Damaging, because the controlled institutions would lose business to less severely controlled competitors at home and abroad. Controls on supply would, at most, achieve a cosmetic effect which, like the corset before, would serve merely to conceal the reality underneath.

There are, however, two changes of policy which would help. The first involves the Government cutting its national savings target. It seems perverse for the Government to insist on raising £3bn a year from the liquid savings market,

The target for national savings should be cut

where private demand is excessive relative to supply, in order to curtail its funding in the gilt-edged market where ample funds are available, when as a consequence it has to overfund and issue the gilts anyway in order to satisfy the private sector's demand for credit. Each £1bn off the national savings target would mean £1bn more available to banks and building societies and £1bn less of overfunding.

National savings are not included in M3, so M3 would grow more rapidly. But growth for this reason, an identifiable structural change in the market for liquid savings, would have no implications for inflation. Indeed, if the Government were to switch attention to PSL2 as its broad monetary target—a much more suitable target than M3 at a time when market shares are changing—and made some minor changes in the definitions of PSL2, a reduction in national savings need have no implication at all for the growth of the monetary aggregates. (In the U.S. the Fed has been quite relaxed about modifying monetary aggregates and changing targets to keep in step with financial change.)

Cutting the national savings target would reduce the size of the bill mountain. The second policy change, which concerns the Bank of England's bill operations, would reduce its ill effects. The Bank's influence on bill rates depends much more on its contribution to turnover in the bill market than on the level of its holdings. By and large the Bank prefers to hold short bills, or engage in purchase and resale agreements with a short maturity, so turnover is high. It could be reduced if the Bank were to hold longer-term paper and if the resale agreements were for longer periods.

If, in addition, the Bank dealt in such paper strictly at market rates, ordinary market turnover would play a greater part in determining bill rates and the Bank would be able to confine its rate-setting role to the shortest-term paper. In a free market opportunities for arbitrage are normally quickly eradicated by market forces, and in the past arbitrage is thought to have taken place when the Bank set bill rates which were lower than those warranted by other market instruments of a similar maturity.

These two changes of policy might well be sufficient to prevent the bill mountain from growing further and to reduce its ill effects. But even cutting the annual national savings target to zero, implying no change in the total outstanding, would not eliminate the bill mountain quickly. That can best be done by creating conditions in which long-term fixed-interest borrowing again becomes attractive to private sector borrowers—in other words, it depends on success in reducing the rate of inflation.

The author is Group Economic Adviser, Midland Bank.

Letters to the Editor

Railway morale

From Mr A. Scott

Sir,—I saw your chart (August 15) about kilometres run per employee on various railways in Europe.

The Dutch seem to be way ahead of the rest, but we and the Swiss come next, which seems quite creditable and one wonders what all the fuss is about. This has come about despite the rather stingy attitude of our governments, especially this one, towards helping British Rail with its capital projects to improve itself. The Dutch railways have had a lot of help.

It may be that the Dutch unions do not scream so loudly about change. Our unions might be less obstructive if morale were better.

Andrew H. Scott.
102, Beeches Road,
Chelmsford, Essex.

Competition in cigarettes

From Mr C. Burns

Sir,—It is surprising that the Tobacco Advisory Council is complaining (August 5) about its members' markets being eroded by cheap imports when the solution to that problem has always been in its members hands.

When EEC legislation forced British American Tobacco to abandon its distribution cartel arrangements some years ago and sell direct to the home market it launched State Express 555 on a long term low price ticket and signalled a new style of brand price competition. Deep price cutting was followed by steep increases in tobacco duty which caused product prices to rise above the general rate of inflation thereby fuelling the change from a brand-loyal market to one that was largely determined by retail price.

This change of emphasis in determining consumer choice encouraged first multiple tobacconists then the supermarket chains to promote tobacco products aggressively with packets of cigarettes being sold at discounts of up to 12p. Clearly, non-cost-related discounts were being channelled towards the multiples, leaving those serving the independent trade with almost no promotional activity and no chance of being price competitive. Pleas to the cigarette manufacturers to make promotional stocks available to wholesalers were rejected because the wholesalers could not guarantee the price reduction being passed on to the end consumer. Suggestions that this could easily be achieved by price marking the film covering the packs were dismissed.

In desperation wholesalers serving the independent trade looked for a cheap supply of cigarettes and found German manufacturers a very willing source of supply giving rise to an explosion of cheap "own labels" during the past year. Cash and carry wholesaler Nurdin & Peacock was a latecomer to this market but was very professional in its method of entry which ensured that its Red Band brand was in wide distribution very quickly after its launch and so has become the leading own label cigarette. The significance of this at a retail level can be exampled by my store where the brand in three flashed packed styles accounts for 20 per cent by volume of sales from my tobacco section and has helped contribute to this section rise from 12 per cent to 16 per cent of my store's increasing turnover.

The general acceptance of own label cigarettes by the price conscious sector of the market has undoubtedly influenced the major manufacturers to cut the prices of secondary brands quite substantially and new introductions such as Silk Cut Luxury Length are being distributed in price marked packs.

C. M. Burns.
95-97 Fawcett Road,
Southsea, Hants

Mortgage interest

From Mr W. Murphy

Sir—Would someone please explain to me how the deduction of mortgage interest cost the Treasury £3.5bn in "lost" tax in 1984?

If I pay interest, someone else must receive it; it is a deduction before my income becomes subject to the provisions of the tax legislation but there must be a corresponding increase in someone else's income; it is therefore a matter of indifference to the Treasury, it merely looks to the recipient of the interest and not to the payer, in other words tax liability follows the interest. It must surely be this fact which leads to the principle of tax deduction at source.

How then can the Treasury claim to have "lost" tax which it was never legally entitled to collect and not having suffered the loss, how can it be agreed that Government subsidises mortgage interest and the corollary, gives tax relief on mortgage interest?

The truth is that having paid mortgage interest (or indeed, any other form of interest) I have already spent the money with which I would have paid the tax had I not paid interest, so what have I saved?

Tax relief on mortgage interest is an illusion dreamed up by politicians in the early 1960s and swallowed hook, line and sinker by everybody else (except me!).

William Murphy.
17 Montague Drive,
Loughborough.

The Britoil issue

From Mr E. Pickard

Sir,—If applications for issues, like Britoil, were accompanied by open cheques crossed with maxima and receiving banks entered the consideration for the number of shares allotted, then investors would pay only for what they purchased; surplus funds would not be circulated round the banking system; and issue costs would be borne only by successful investors and/or their company.

E. Pickard,
North House,
Eliot Vale,
Blackheath, SE3.

Non-stick mirror

From the Head of Joining Processes Section, Technology Development Division, Production Engineering Research Association

Sir,—Mr Dwyer's comments (August 3) about the effectiveness of adhesives, are welcome though it would be perhaps a little unfair to draw general conclusions from the particular case of the mirror which will not stick to a car windscreen; a matter which should be taken up with the adhesive manufacturer or the car manufacturer concerned. Perhaps what he is trying to achieve is not quite as simple as he or they think.

PERA's point is that the only true adhesive is one that sticks and goes on sticking for as long as needs be. As Mr Dwyer's experience, as probably that of many other people, shows this is not always so, car mirrors being a particular case in point but there are very many instances where adhesives work properly and where they do, in aircraft, civil engineering, the furniture industry, for example, they provide superior long-lasting, load-bearing joints.

As engineers, we are finding out exactly when, how and why reliable joints are made, so that adhesives can be used with genuine confidence by manufacturing industry. There is still much work to be done in this area to achieve the necessary basic knowledge and confidence.

David Findlater.
Melton Mowbray, Leics.

Less of a shock

From Mr D. Marquis

Sir,—Regarding the administrative and interest losses of the London and Regional Electricity Boards through late payment of quarterly consumer bills, would not the losses be largely eliminated—despite card handling charges—if consumers were permitted to pay by credit card?

I can, after all, purchase from the Southern Electricity Board's showrooms any article by using my credit card but for workmanship, services and current used must pay by cash or cheque.

In possession of the consumer's credit card number, the Board would despatch the quarterly statement with a note that transfer from the customer's credit account would be effected on a date, say, 10 days from the bill's posting. That would give the customer time to check the accuracy of the meter reading, etc.

No doubt the credit card companies have pressed the matter on the Electricity Boards. It is difficult to see objection to such a system when, as but one example, it works so smoothly where Wessex Water notifies me in advance of the charge upon my house, giving the dates of the half-yearly transfers from my credit account, these being, fairly, not earlier than 40 days after the due date of half-yearly payment.

Dudley Marquis.
6 Annandale,
Castle Cary, Somerset.

Changing the rates

From Mr A. Harper

Sir,—Your editorial (Aug 19) quite rightly says "Tread warily on rates."

Any thorough going modern tax-reform is bound to be set about with difficulties if only because voters prefer the "free lunch" as against "picking up the bill."

But if, as you suggest, calculating rates based upon capital values has some political merits and is favourable because it is virtually impossible to avoid and is relatively easy to collect, then surely we should take the ultimate economic step and make it applicable to the capital value of land only, and not to the value of land plus improvements?

Rising land prices are a major factor in inflation trends, thus a tax upon land values neatly qualifies under the heading of the "fight against inflation."

Arnold J. Harper.
31 Russell Road, SW19

FINANCIAL TIMES
Wednesday August 21 1985

Emotional politics for Bhutto funeral in Pakistan

By John Elliott in Larkana

PAKISTAN today faces its most emotional political event since the hanging six years ago of Mr Zulfikar Ali Bhutto, the former Prime Minister.

The body of Mr Bhutto's 27-year-old son is being brought for burial by his daughter, Miss Benazir Bhutto, who is returning to Pakistan from 18 months of political exile in Europe for the ceremony.

Mr Bhutto was hanged in a Rawalpindi prison by the current military regime headed by General Zia ul-Haq. For many people today's moslem burial rites are an opportunity to stage the ceremonies missed by the Bhutto family then.

A lot of emotion has been dissipated, however, and the risk of political upheaval lessened, by a month's delay in the release of the body of the dead son, Shahnawaz Bhutto, from France.

Shahnawaz died in Cannes in mysterious circumstances on July 18. Plots hatched by the CIA, KGB, Pakistan Government, and his own family as well as suicide are among theories about the cause of his death. Originally active with another brother in an Anti-Zia terrorist organisation called Al Zulfiqar, which claimed responsibility for a Pakistan Airlines hijacking in 1981, Shahnawaz had recently moved to France with his Afghan wife.

His body is scheduled to be flown today into Karachi in southern Pakistan and then taken in a small aircraft to Larkana for burial.

Tens of thousands of people are expected to gather in the area, although their movement will be severely restricted by extremely tough security restrictions introduced both around Karachi airport and on roads leading to Larkana.

But for the month's delay and security, local politicians say the crowds would have been counted in hundreds of thousands, posing the biggest security problem and potential political challenge for the military Government since a major uprising against President Zia in Larkana and other rural areas of Sind two years ago.

The timing of the event is especially sensitive. President Zia is trying to edge his way without confrontation towards a more democratic form of government and at the same time to stay in power. Prime Minister Mohammed Khan Junejo, an ally of President Zia, said recently that martial law would end at the end of the year.

Miss Bhutto, acting head of her father's outlawed Pakistan Peoples Party (PPP), is the only significant opposition figure who could lead a serious challange to President Zia, so the Government wants to stop her starting any political movement.

Both the Government, which has said she is free to come to Pakistan for the ceremonies, and the PPP have been stressing that today's ceremonies are religious and not political.

Miss Bhutto is expected to stay in Pakistan for up to 40 days, in accordance with local Moslem mourning customs. She is widely expected then to return to her flat in London; pleading that an ear infection needs more medical treatment and that she must visit her ailing mother who is seriously ill in Paris.

The risk if she stays and becomes politically active is that she will be returned to the Karachi house arrest she suffered for 34 months until she went to London for medical treatment in January last year. Her supporters say she fears a repeat of that experience and would probably prefer to stay in London, either until martial law is lifted or until opposition to the Zia regime among Pakistan's dispirited and split political parties has built up into a movement she could lead.

South African banks to cut prime lending rates

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S commercial banks are to cut their prime overdraft lending rates by 1½ percentage points to 19½ per cent from 21 per cent on September 2 in response to yesterday's 1¾ per cent reduction in the central bank's official bank rate.

The Reserve Bank's orchestration of interest rate cuts flies in the face of conventional economic theory, one economist points out. Normally, he says, central banks would move to increase interest rates to protect national currencies which had suffered the rand's almost 30 per cent decline of the past month.

In South Africa's case, however, the political events which led to the rand's drop were accompanied by a capital flight and decisions by foreign banks to reduce their lending to South Africa. As a result, domestic interest rates were poised to rise, thereby threatening to delay recovery from the recession which has sharply increased black unemployment and thereby contributed to the countrywide unrest.

Economists also remark that the ruling National Party fears defeat by right-wing parties in by-elections during the next few months and that this may well have prompted political pressure on the Reserve Bank governor, Dr Gerhard de Kock, to provide the economic stimulus of lower interest rates. Interest rates were cut temporarily last November shortly before by-elections the National Party feared it might lose.

There has also been strong pressure for a reversal of the foreign exchange control relaxations instigated by Dr de Kock in recent years from businessmen whose companies have been affected by high interest rates and the rand's deteriorating external value. So far there have been no signs of a tightening of exchange controls.

Economists believe in general that lower interest rates are unlikely greatly to stimulate consumer demand. They are, however, expected to slow the increase in corporate bankruptcies, which is, in turn, expected to curb the rate of growth of black unemployment.

Austerity measures implemented last August and tight monetary policies introduced in this year's March budget have failed to reverse the rising inflation rate.

There are also fears that if foreign lenders continue to reduce their South African exposure the Reserve Bank will have to resort to potentially inflationary increases in money supply if the economic stimulus of low interest rates is to be maintained.

Michael Holman adds: South Africa's Roman Catholic bishops warned yesterday that the threatened strike by black workers on the country's gold and coal mines due to begin this weekend could "lead to widespread violence and immense suffering."

Representatives of the black National Union of Mineworkers (NUM) and the Chamber of Mines, representing the employers, are expected to continue negotiations over union wage demands today.

A statement issued after a meeting in Johannesburg on Monday night between the bishops and chaplains from mining areas supported the workers' claims for what was called "a living wage."

Although unrest continued in several South African townships no deaths were reported by early yesterday evening. In the Diepkloof area of Soweto, near Johannesburg, police with dogs and backed by army units conducted a house-to-house search.

Allegations of police brutality during the state of emergency have prompted the opposition Progressive Federal Party (PFP) to call for a judicial inquiry.

At a meeting in Pretoria with church leaders earlier this week Mr P. W. Botha, the State President, said that a senior magistrate would investigate the allegations. The PFP member of parliament, Mrs Helen Suzman, said, however, that "what is needed is a proper objective judicial inquiry."

UK rail union brings forward national ballot for strike action

BY DAVID BRINDLE IN LONDON

THE EXECUTIVE committee of the UK's National Union of Railwaymen last night brought forward by six days to Friday a national ballot of 11,000 guards on industrial action, including strikes, over British Rail's plans for driver-only train operation.

The move came after BR sent home more guards on the Eastern region, suspending all services on two London commuter routes, and announced plans to advertise the job of other guards dismissed for taking action over the driver-only issue.

British Rail sees its plans for driver-only trains – removing the guard – as central to its hopes of future productivity improvement in the face of increasing competition from road transport. BR first mooted the change nine years ago and has accused the NUR of dragging its feet. BR claims that driver-only operation would save £27m ($38m) annually after five years.

The NUR, which represents guards, has emphasised the safety issue in its fight against driver-only operations. The union is also concerned about future job losses, although BR's current proposal envisages no redundancies.

Earlier yesterday, NUR leaders had met senior BR officials for almost four hours of talks, but had failed to reach agreement on reinstatement of 221 guards dismissed in Scotland and South Wales. The union accused BR of demanding what amounted to full acceptance of driver-only operation before reinstatement would even be considered.

Mr Jimmy Knapp, the union's general secretary said: "I felt I was in a position I had never been in before: where it appeared that some of my members had been taken prisoner, kidnapped or taken as hostages and I was being handed a ransom note for their release."

BR stipulated progress in virtually all disputed areas before it would approach the British Railways Board "to consider the position of men dismissed."

BR was maintaining a hard line, meanwhile. On the Great Northern lines, 55 guards rostered to man trains yesterday were sent home after refusing to give an undertaking to man train units modified for driver-only use.

In a second move, BR disclosed plans to advertise the jobs of the guards dismissed from their posts at Glasgow, and in South Wales. Print workers at the Glasgow Evening Times newspaper refused to handle the first of the advertisements, branding it "objectionable in tone and provocative in intention."

French trade account back in deficit

By David Housego in Paris

THE FRENCH trade account shifted sharply back into deficit last month after moving into surplus in June for the first time this year.

According to figures released yesterday France recorded a seasonally adjusted FFr 3.8bn ($450m) deficit in July – a substantial turnround from the FFr 1.9bn surplus in June.

The disappointing performance brings the cumulative deficit for the first seven months of the year to FFr 18.2bn. Forecasts within the Government are that the deficit for the year will be about FFr 25bn, or similar to the overall deficit for 1984.

The French Ministry of Industry and External Commerce yesterday recognised the slowdown in the improvement in France's trade performance, saying that the recovery in the trade account since the beginning of the year was proving much more difficult than in the two previous years.

Reflecting those difficulties, exports declined on a seasonally adjusted basis in July by 2.1 per cent over the previous month to FFr 74.3bn. Imports rose, however, by 5.7 per cent to FFr 78.1bn.

J. C. Penney profits fall 40% in second quarter

BY OUR FINANCIAL STAFF

J. C. PENNEY, the third biggest U.S. retailer, has suffered a 40 per cent fall in second-quarter net profits, reflecting a decline in gross margins as a result of lower sales and higher markdown and promotional activity.

The decline follows a similar downturn announced earlier this week at K mart, the big discount stores chain. Meanwhile, Dayton Hudson, another stores group, has announced flat results for the latest quarter, while profits fell at Associated Dry Goods.

At J. C. Penney, net profits in the three months to July 27 fell from $49m, or 66 cents, a year ago to $30m, or 40 cents, taking earnings for the first six months to $80m, or $1.07 a share, against $118m, or $1.58.

The company noted that there was no Lifo credit in the latest quarter, compared with one of $8m a year earlier. Sales in the latest three-month period slipped from $3.06bn to $3.01bn, taking the six-month total to $5.82bn ($5.81bn).

The company said lower sales in the second quarter "reflected the moderating trend in the general merchandise retailing environment."

At Dayton Hudson, the discount and department stores group, net earnings edged up from $39.1m, or 41 cents a share, to $40m, or 42 cents. However, the 1984 period includes $10m of costs from strategic changes at the department stores division.

Profits for the first six months rose from $67.5m, or 70 cents a share, to $73.4m, or 76 cents. Sales climbed from $3.4bn to $3.78bn, with a contribution of $1.96bn ($1.78bn) in the second quarter.

Associated Dry Goods, the New York-based group, reported second-quarter earnings of $14.5m, or 36 cents a share, against $18.4m, or 46 cents. Six-month profits edged up from $23.5m, or 59 cents, to $23.9m, or 60 cents.

Sales rose from $928.6m to $983.8m in the quarter and from $1.75bn to $1.92bn in the first half. The company said operating profits were hit by weakness in sales and efforts to reduce stocks.

● Sears Roebuck, the largest U.S. retailer, introduced a new credit card, the Discover Card, giving credit lines to the average consumer of up to $2,200. The group said the move would hamper earnings until 1988 because of marketing-related and start-up costs.

Australia to slash budget deficit by 27%

By Michael Thompson-Noel in Sydney

MR BOB HAWKE'S Labor Party Government yesterday unveiled a budget aimed at underpinning what it called one of the fastest-growing economies in the West, adding that "Australia is back in business."

In a surprise move the federal budget deficit for 1985-86 is being slashed by as much as A$1.8bn ($1.28bn) to A$4.9bn. This would be a 27 per cent cut.

As a result the gross public sector borrowing requirement in 1985-86 will amount to an expected 5.6 per cent of GDP, a fall of more that 1½ percentage points.

Mr Paul Keating, the Australian Treasurer, said this should "significantly reduce pressures on domestic capital markets in 1985-86."

Mr Keating's third budget seemed aimed at appeasing financial and business opinion and winning back lost ground for a Government that has suffered numerous setbacks in the past eight months.

There were very few spending initiatives, no new or increased sales taxes and no increases in income taxes.

Instead Mr Keating emphasised the Government's economic successes, adding that total economic growth in 1985-86 would again be about 4½ per cent. "As a result, during three years of Hawke government, the Australian economy will have grown by more than it did over the previous eight years."

But the Treasurer anxiously called for wage restraint, saying that at the next two national wage hearings – in September and March – the Government would temporarily modify its normal support for full wage indexation of recent consumer price index increases.

It will do this to try to staunch the inflationary impact of this year's devaluation of the local dollar.

Within the terms of its pay accord with the unions, the Government will explore the means "by which any temporary loss of real income can, over time, be fully restored without doing damage to the economy."

Wage restraint is viewed as the government's key test and biggest problem.

As a result of the budget government outlays in 1985-86 are expected to fall from 30.8 per cent of GDP to 29.8 per cent. Treasury bond tenders in 1985-86 are likely to total around A$5bn, against A$7.6bn in 1984-85, and A$9.7bn in 1983-84.

One of the few initiatives announced was a youth employment scheme costing A$70m this year, rising to A$190m in 1986. There was some help for farmers, costing A$46m in a full year and defence spending is being boosted by 10 per cent to A$6.5bn.

Mr Keating said a package of tax reform measures would be announced next month and that "monetary conditions will be kept firm in the year ahead." He added: "We have again pursued our two great goals of economic growth and a fairer society."

U.S. economy grew at annual rate of 2%

Continued from Page 1

cent, from the same period a year ago.

While the money markets mulled over the first moderately favourable news after a string of weak reports, Mr Paul Volcker, the Federal Reserve chairman, added his views to the musings. In a letter to Congress dated August 6, he said that stronger than expected growth would cause the Fed to tighten monetary policy, while "somewhat faster" growth would be "expected and welcomed."

What is expected, he said, was a pick-up in real growth during the second half "but not to the same degree as occurred in 1983-84."

Philip Stephens writes from London: The upward revision in the growth figure caught the foreign exchange markets by suprise and initially triggered a steep rise in the value of the dollar.

Dealers reported, however, that while the markets were now ruling out an early cut in U.S. interest rates, there was still general scepticism about the prospects for a strong rebound in U.S. economic growth.

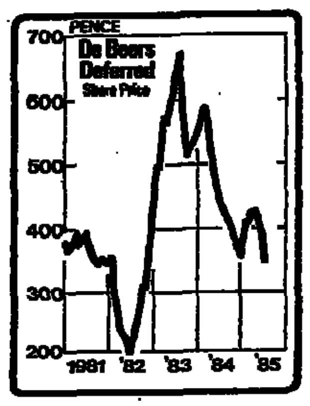
By the end of European trading the dollar had lost much of its earlier gains, although it held above Monday's levels. The U.S. currency closed at DM 2.7775 compared with DM 2.7630 previously, while sterling was a cent lower at $1.3895.

The sterling index, which measures the pound's value against a basket of currencies, lost 0.3 points to close at 81.8.

THE LEX COLUMN

Standard caught in the laager

At least the Test match reached a decisive conclusion, which is more than can be said for yesterday's cyclical indicators. The longer lead indicator in particular provides no evidence of a sustained downturn in economic activity but even the optimists would not claim July's fall as a sign of prolonged recovery. The equity market is fairly reflecting this uncertainty by going precisely nowhere.



Std. Chartered

Standard Chartered must be in a fine dilemma over its South African subsidiary. Even after taking the sensible decision to move to a minority holding in Stanbic, the bank still earns about 15 per cent of its money in South Africa, making its shares not just possible boycott material, but also vulnerable to a worsening of the country's political problems.

Yet Standard Chartered is understandably loath to extract itself altogether from what is such a profitable venture. In the first half of this year Stanbic's profits rose 25 per cent in rand terms in the midst of South Africa's worst recession since the war. It is unlikely that the parent bank could deploy the money it has tied up in Stanbic any better elsewhere.

Not that the rest of its first-half results were bad; in fact, the market seemed quite unprepared for the 42 per cent rise in pre-tax profits to £133.8m. On that news, the shares rose 20p to 472p. But much of the increase was down to luck or one-off factors as much as skill: foreign exchange and money market dealing boosted UK and South African profits, for example, while Mocatta and Goldsmid did very nicely on gold options. Then the high level of provisions last year in the U.S., the UK and tropical Africa helped to produce a rather flattering comparison this time round.

Unless it withdraws from South Africa altogether, Standard Chartered may find it hard to rub the political tarnish off its shares, at least while the violence there continues. The shares now show every sign of being a special situation – at a prospective p/e of just under 6, they trade on a slightly higher rating than most of the clearers. Yet the prospective yield of 9½ per cent is higher even than the Midland's.

Guinness/Bell

Rarely has the outcome of a contested takeover bid looked so assured two full days before the closing date. It is just conceivable that Arthur Bell may escape on Friday afternoon, but the odds against either a counter-offer or a collective change of heart on the part of institutional shareholders are now looking very long indeed.

The Bell defence has to some degree gone by default. For all the Guinness claims that Bell has lost its way, the whisky company can point to a remarkable growth in sales and earnings over a 10-year period. The UK market share, while on the decline, is still very substantial, and Bell has done a decent job of picking up sales in Europe. The fact that its U.S. efforts have not so far been crowned with success does not necessarily make Wellington Importers a poor purchase. Andthe 1984-85 earnings would not have looked so lacklustre but for the prolonged closure of the Piccadilly Hotel and the costs associated with the U.S. venture.

The fact that these arguments have failed to sway the market is not entirely a function of Bell's disorganised defence. The company has indeed shown a surprising readiness to shoot itself in the foot at every opportunity, but it has also been battling against an offer which, even on the original terms, represented fair value. The market can hardly be blamed for preferring the certainty of the Guiness offer to a fall in the Bell price which may or may not be reversed by eventual progress in the U.S. and a recovery of momentum in the UK.

Guiness will have its work cut out justifying the price it has offered for Bell, and shareholders may prefer to opt in part for the cash alternative or a market sale. But the offeror has some scope to realise value for Bell through the disposal of Canning Town Glass, the hotels (other than Gleneagles itself) or Towmaster Transport. The market looks four-square behind Guiness, and the paper offer contains enough of an income hedge to make the equity package a reasonably safe bet. Either way, shareholders should accept the Guinness bid.

Enterprise/Saxon

Enterprise Oil may have had great difficulty in persuading the board of Saxon of the merits of its offer at 540p a share, but some shareholders were considerably easier to convince.

In a smooth operation on Monday night and yesterday morning, Enterprise's brokers spent £18m in picking up nearly 15 per cent of Saxon's equity at that price. Given that Saxon's directors could agree on only one thing – that 540p was too little – Enterprise was taking no chances with a third party picking up the invitation to bid higher.

As promised, the offer contains a part share alternative for Saxon shareholders not wishing to crystallise their capital gains liability: a founder shareholder would enjoy a cash gain after tax of just under £3 a share or, coincidentally, exactly the same as the value implied by the merger with Charterhouse.

The share alternative is limited to a meagre 20 per cent of the Saxon equity, but at least holders can delay their tax liability through the loan note.

At this level Enterprise's chief shareholder faces equity dilution of under 2 percentage points, which would be a mere trifle to top up for a company of RTZ's resources. Whatever RTZ thinks of the price – and the group has been studiously silent throughout – it may well be mollified by the implication that the offer is at a greater discount to Saxon's net assets than that of Enterprise. Without asset dilution, more than RTZ may be content to allow Enterprise to finance the development of Saxon's Miller acreage.

Whether or not a third party enters the field now that Enterprise has declared open season, Charterhouse's cause looks all but hopeless. It is a misfortune that Charterhouse announced the testing of six finds yesterday, just at the point when they could not do much good. Ten days ago the story might have been different.

As for Saxon's financial advisers, they will need all their literary skills to couch a recommendation to shareholders from a divided board.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	27	81	Malaga	—	—	—	Salzburg	F	21	70
Algarve	S	31	88	Faro	S	27	81	Malta	S	31	88	Seoul	F	32	90
Algiers	—	—	—	Florence	—	—	—	Manila	C	31	88	Singapore	R	31	88
Amsterdam	F	18	64	Frankfurt	C	19	66	Miami	C	31	88	Stockholm	C	19	66
Athens	S	32	90	Funchal	F	14	57	Milan	S	28	82	Strasbourg	F	23	73
Bahrain	S	37	99	Geneva	S	25	77	Moscow	C	25	77	Sydney	F	13	55
Bangkok	S	33	91	Gibraltar	S	25	77	Munich	F	20	68	Taipei	S	30	86
Barcelona	—	—	—	Guernsey	S	18	64	Nairobi	—	—	—	Tangier	—	—	—
Beirut	S	29	84	Helsinki	C	22	72	Naples	S	28	82	Tehran	—	—	—
Belgrade	F	27	81	H. Kong	S	31	88	New Delhi	S	30	86	Tel Aviv	S	30	86
Berlin	C	18	64	Innsbruck	S	24	75	New York	C	24	75	Tenerife	—	—	—
Biarritz	F	23	73	Inverness	C	15	59	Nice	S	27	81	Tokyo	C	27	81
Blackpool	—	—	—	Istanbul	S	31	88	Oporto	S	22	72	Toronto	S	23	73
Bordeaux	S	23	73	Jersey	S	19	66	Oslo	F	18	64	Tunis	—	—	—
Brussels	C	18	64	Jo'burg	S	19	66	Paris	F	19	66	Valencia	—	—	—
Budapest	F	25	77	Las Palmas	F	24	75	Prague	F	20	68	Venice	F	27	81
B. Aires	S	16	61	Lima	C	18	64	Reykjavik	C	15	59	Vienna	R	21	70
Cairo	S	34	93	Lisbon	S	16	61	Rio de J'o	S	32	90	Warsaw	C	19	66
Cape Town	S	19	66	Locarno	S	26	79	Rome	S	28	82	Zurich	F	20	68
Caracas	R	28	82	London	C	18	64								
Casablanca	—	—	—	Los Angeles	C	28	82								
Copenhagen	C	20	68	Luxembourg	C	16	61								
Corfu	S	32	90	Madrid	S	35	95								
Dublin	R	17	63	Majorca	—	—	—								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Forklift truck deal

Continued from Page 1

the UK company said yesterday. Saxby Manutention currently employs 920 people.

One of the attractions of Saxby Manutention for Lansing was the French company's strong service network in France. The company has 13 company-owned branches throughout France for the sale and service of its trucks instead of the more usual agency distributor network used by forklift truck companies.

Lansing is awaiting ratification of the purchase from the French Government.

The Kaye Organisation's last acquisitions, under the chairmanship of Sir Emmanuel Kaye, the present chairman, were in the 1970s. The company in 1976 bought Henley Forklift International, a UK company making large lift trucks up to 45 tonnes capacity. The Henley products are sold by the Kaye Organisation under the Lansing Henley name.

In 1978, Kaye bought Bonser Engineering, a manufacturer of rough-terrain forklift trucks for the agricultural market.

The main products from Lansing are still sold as Lansing Bagnall trucks.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday August 21 1985

Gold prices boost mining financier

By Kenneth Marston

GOLD FIELDS of South Africa (GFSA), the mining finance house 48 per cent owned by the Consolidated Gold Fields group, has had income for the year ended June 30 boosted by record gold prices received in terms of South African rands.

GFSA's earnings for the year have risen 24.5 per cent to R201.3m ($57.5m) from R161.7m. This gives 246 cents per share. After a 4 cent rise in the interim dividend the final has been lifted to 80 cents, bringing the year's total to 120 cents, compared with 100 cents for 1983–84.

The impact of exchange rate movements on mine earnings is such that the GFSA mines would have received an average rand gold price per ounce equivalent to R589 in 1984–85 compared with R473 in the previous 12 months. The respective dollar prices, however, were $325 and $392.

Exchange rates cut both ways, of course. Therefore the good performance by GFSA will leave the London parent, Gold Fields, little better off when the rand income is received and converted into higher value sterling. This also applies to UK shareholders in GFSA and other South African issues.

De Beers increases dividend after earnings boost

BY KENNETH MARSTON, MINING EDITOR

DE BEERS Consolidated Mines of South Africa has again had its interim earnings bolstered by favourable exchange movements.

The company's board has decided to increase the 1985 interim dividend by 2.5 cents to 15 cents, showing its confidence in the diamond market prospects.

This is the first dividend increase since a similar improvement was made in the 1983 final. The total dividend for 1984 was an unchanged 40 cents.

The half-year to June 30 shows a 26.5 per cent increase in De Beers' pre-tax profits to R530m ($220.4m) from R419m in the same period of last year. The 1984 total was R932m.

Net attributable earnings before extraordinary items come out at R353m, or 98.1 cents per share, compared with R321m a year ago.

On the latest occasion the extraordinary item is a loss of R60m which reflects losses at Anglo American Industrial Corporation's motor car division and those of associates of Minerals and Resources Corporation (Minorco).

Last year an extraordinary gain of R64m arose from Minorco's sale of part of its holding in Phibro-Salomon.

De Beers latest earnings on diamond account have moved up to R318m from R208m a year ago. The increase reflects the weakness of the rand against the U.S. dollar, in which diamonds are sold.

Sales in dollar terms were lower than those of a year ago in line with the world sales handled by the group's Central Selling Organisation. These were better than sales in the second half of last year but did not match (or were not allowed to match) the exceptionally high levels of the first half of 1984.

Increases in both De Beers' latest investment income and its share of retained profits of subsidiaries largely stem from the 38 per cent holding in Anglo American Corporation, which achieved record earnings in the year to last March.

Interest charges have risen in line with higher interest rates and increased borrowings.

Decline sets in after early surge

BY MAGGIE URRY IN LONDON

THE EURODOLLAR bond market sprang back to life yesterday with new issues totalling more than $400m. Traders reported good buying interest during the morning, although the market slipped back in the afternoon following the announcement of revised U.S. GNP growth figures to leave prices fractionally lower on the day.

However, syndicate managers were optimistic and the bonds launched during the morning got off to a good start. Credit Suisse First Boston brought a $150m deal for the Inter-American Development Bank on the same terms as the recent successful Campbell Soup issue. The bonds have a 10-year life and are non-callable. The coupon was set at 10½ per cent and issue price at par. The bonds were *trading at a discount comfortably* within the 2 per cent fees by the close, having opened around the 1¼ per cent selling concession.

A similar reception met Morgan Guaranty's $100m issue for Kiewit U.S., a leading private construction and mining company. The bonds are backed by a surety bond from Aetna, giving them a AAA rating. The five-year issue has a 10⅛ per cent coupon and par *issue price*. Like the IADB issue this is not part of a swap. The bonds traded within the 1⅞ per cent fees.

Later in the day CSFB led a two-tranche issue for Phoenix Mutual *Life, the 13th largest mutual life* company in the U.S. This is collateralised by mortgages again giving the bonds a AAA rating.

The first tranche for $100.925m matures after seven years, with a sinking fund bringing the average life down to 4.9 years. Terms are a 10⅛ per cent coupon and par issue price. The second portion for $56.77m has a 9.2 year average life *and final maturity in 1996. It pays* interest at 10⅞ per cent and is issued at par. Both deals were quoted well within their fees.

Bank Gutzwiller announced a reduction in the size of the two issues *for Pegasus Gold. The convertible* portion proved less popular than the bond exchangeable for gold, and the convertible now totals $15m, while the gold bond was cut back to $6.66m.

The convertible can be exchanged for shares at a price of $10.753, a 15.34 per cent premium to the recent average of the share price.

In the Euro-French franc bond market Banque Indosuez launched the FFr 300m deal for Saint Gobain, the glass and chemicals group which was postponed two weeks *ago. Terms were set at a seven-year* life with a 11¼ per cent coupon and par issue price. The deal met a good response and was trading around 98⅝, inside the 1¼ per cent selling concession.

The D-Mark market saw active business yesterday morning with prices moving up by as much as ½ to ¾ point. Dealers are expecting further falls in interest rates. *Buying concentrated on issues trading* below par and issues which are not callable. However, profit-taking set in the afternoon to leave prices an average ⅛ to ¼ point higher on the day. The two new issues launched on Monday for the EEC and Finland were both trading above their 99 issue prices at around 99⅝.

In the Swiss franc foreign bond market SBC announced a SwFr *150m private placement of convertible* bonds for Mitsubishi Metal. The bonds have a five-year life and the yield is indicated at 1⅛ per cent.

Credit Suisse set the final terms for a SwFr 40m convertible for Sakai Chemical, cutting the yield from the indicated 1¾ per cent to 1⅝ per cent.

Secondary market trading was at a fairly low level with prices un*changed on average. Two new is*sues are due to start trading today, the Kendall dual-currency deal and Glendale's collateralised straight issue.

Philips set to raise Fl 400m

PHILIPS, the electrical group, presented the Amsterdam bond market with its first major corporate borrowing for a decade yesterday when it unveiled plans to raise Fl 400m ($129m) in long term fixed debt, writes our Financial Staff.

Helped by falling central bank rates and a strong guilder, the Dutch bond market has moved ahead strongly in recent sessions. Average long term bond yields eased this week to well under 7 per cent, their lowest level since 1967.

Similar to its counterparts in London and Frankfurt, the Amsterdam industrial bond market has been at a very low ebb for years.

The last conventional corporate borrowing of any size was by the Shell group in 1975 when it raised Fl 150m.

Philips was last seen in the bond market in 1984, but not offering conventional debt. On that occasion it raised issue bonds. It now plans a ten year straight debt issue priced at 94 on a coupon of 6¾ per cent.

Deere returns to red despite steady sales

BY TERRY BYLAND IN NEW YORK

DEERE & CO, the farm machinery and industrial equipment manufacturer, slipped back into losses in the third quarter of the year, although special items in the accounts lifted it to a small profit at net level.

Sales held steady at $1bn for the quarter. Net earnings were posted at $4.5m or 6 cents a share, against $29.4m or 43 cents, but only after taking in after tax gains of $22.9m from Lifo stock adjustments and a *charge of $8.3m for employment re*ductions. But for these special items there would have been a loss of $4.8m, compared with a $10.1m loss a year ago.

The board warned in May that conditions in the group's targeted industries remained uncertain. After turning in a loss of $28.2m in the first quarter and a net profit of $34.8m in the second, Deere shows net earnings of $11.1m or 16 cents a share for the nine months, down 85 per cent from the comparable period. Sales, however, have held steady at $2.9bn. The board said that, excluding special items, the group would have reported a loss of $6.6m for the nine months.

Wall Street analysts have been *downgrading their forecasts for the* group's full year profits, in response to the continuing signs of over-capacity in a world farm equipment market which is still lacking signs of any significant recovery.

In fiscal 1984 Deere earned $71m or $7.01 a share.

Genstar plans new grouping after trust bid

By Bernard Simon

*GENSTAR, the Vancouver-based fi*nancial, industrial and real estate conglomerate, plans to form Canada's sixth largest financial institution after its apparent victory in the battle for control of Canada Trustco, the country's largest trust company.

Genstar unexpectedly emerged as Canada Trustco's most likely controlling shareholder after buying the 27.6 per cent interest in the trust company previously held by a rival bidder, the insurance group Manufacturers Life. Together with shares bought earlier, Genstar now holds more than 8m Canada Trustco shares, or about 35 per cent of the total. Genstar said that it will increase an earlier offer for 12m Canada Trustco shares at C$44 (US$32.65) a share to a bid for all the trust company's shares at C$45 a share. The offer is worth a total of C$680m, excluding the shares bought from Manulife.

Manulife dropped its bid to raise its stake in Canada Trustco to 63 per cent when it became clear that it would beat Genstar only by substantially increasing its outlay. Mr Sydney Jackson, Manulife president, said that "at some price the property contested is worth more to one party than to another."

Canada Trustco has up to now strongly opposed the Genstar bid, but has not yet indicated whether it plans to find another suitor willing to outbid the Vancouver group. The trust company has been the only one of Canada's major trust companies without a controlling shareholder, and its management would prefer to continue operating independently of the numerous financial conglomerates currently emerging in Canadian financial markets.

Genstar's earnings totalled C$132m last year on revenues of C$1.9bn.

S. W. Berisford arranges £150m facility

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

S. W. BERISFORD, the British commodity trading house, is arranging a new loan facility of up to £150m ($210m) to replace an earlier deal signed in 1982 when it acquired British Sugar Corporation.

In an unusual move for a borrower in the sterling bankers acceptance market, Berisford is syndicating the new facility itself to save on the front-end fees normally paid to banks which lead manage such operations.

Although such an approach can lead to resistance in the market Berisford said yesterday it expected to complete the arrangements for the new facility early next month. "We see ourselves as having the necessary treasury experience to handle it ourselves," a spokesman said.

Terms of the new five-year deal include a commitment fee of ⅛ per cent payable annually to banks prepared to underwrite the sale of bankers acceptances at a maximum commission of ⅜ per cent.

The commitment fee compares with one of ¼ per cent payable on the original facility, which was led by County Bank and was for a slightly larger amount of £160m. Acceptance sales under that facility also bear a higher commission of ½ per cent.

● Hungary's National Bank has arranged a SwFr 125m credit, believed to be its first such deal in the Swiss market since the second world war.

The credit is led by Bank für Kredit und Aussenhandel and Fuji Bank (Suisse) and bears interest at a margin of ⅜ per cent over Euro-franc rates for eight years. Soditic is a co-lead manager.

The margin is the same as that on Hungary's most recent borrowings in the dollar credit market but this deal has a special feature in the form of a minimum interest rate of 5⅛ per cent.

Swiss bankers say they need such a minimum to protect themselves against periods of very low or even negative interest rates, such as occured in the late 1970s. Without the minimum they could find themselves running up losses

Maryland puts freeze on bank's assets

By Our New York Staff

THE STATE of Maryland has temporarily frozen the deposits at Community Savings and Loan, one of the state's biggest savings banks, based in Bethesda. The action has been precipitated by problems at the bank's real estate syndicating unit, Equity Programs Investment Corporation (Epic).

A run on deposits began last week after news that Epic had missed payments on up to $1.4bn of *mortgages and mortgage-backed* securities which it had used to finance real estate investment across the U.S.

Pantry Pride offers $1.8bn for Revlon

BY WILLIAM HALL IN NEW YORK

PANTRY PRIDE, the Florida-based supermarket group, has made a $1.8bn bid for Revlon, the New *York-based cosmetics group*, ending weeks of speculation that a bidder was waiting in the wings.

Pantry Pride's $47.50 per share cash tender offer for Revlon's 38.2m common shares came shortly after Revlon announced firmly that it was not up for sale. To emphasise its determination to remain independent, Revlon announced plans to buy back up to 5m shares, issue shareholders with a so-called "poison pill" in the form of note purchase rights, and take other action to "enhance shareholder values."

Pantry Pride said yesterday that it was analysing the "poison pill" to determine an appropriate response. It described the move by Revlon as "simply a blatant attempt to deny its shareholders their right to decide for themselves whether or not to take advantage of our all-cash tender offer."

By lunchtime yesterday, Revlon's shares had risen $⅝ to $46, while those of Pantry Pride had fallen by the same amount to $7⅛.

Revlon shares have been rising over the last week on rumours that Pantry Pride was about to make a bid. In terms of stock market capitalisation, Revlon is roughly six times as large as the supermarket group.

While Wall Street is sceptical about Pantry Pride's chances of success, it is widely thought that its move might precipitate additional bids from larger companies.

Revlon said that it has arranged to borrow up to $1bn of which less than $300m has been raised so far.

IN THE UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND-ODESSA DIVISION

In Re:
MGF Oil Corporation, Debtor.
BK. NO. 7-84-02160-E-11

NOTICE OF HEARING ON CONFIRMATION OF PLAN AND RELATED PROCEDURES

TO HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN MGF OIL CORPORATION AND OTHER PARTIES IN INTEREST:

YOU ARE HEREBY GIVEN NOTICE THAT:

1. The Court has approved the Disclosure Statement pertaining to the First Amended Plan of Reorganization Proposed by MGF Oil Corporation as modified August 8, 1985 (the "Plan").

2. The Court has fixed October 18, 1985 as the last day for submitting written acceptances or rejections of the Plan, for filing objections to confirmation of the Plan, and for taking certain other actions which may have significant consequences for a creditor or equity interest owner.

3. A hearing to determine whether the Plan shall be confirmed by the Court shall commence at 9:30 a.m. on November 21, 1985, in the United States District Courthouse, 200 East Wall Street, Midland, Texas.

4. The Court has appointed Price Waterhouse to receive, tabulate, and file written acceptances and rejections of the *Plan and to perform other functions* in connection with this Plan. Upon written request, creditors (including debenture holders), equity interest owners, and other parties in interest may obtain a copy of the Disclosure Statement, Plan, Forms of Ballots and Instructions for Voting, and other pertinent materials from Price Waterhouse at 1200 Two First City Center, Midland, Texas 79701, Attention: Stephen F. Huggins, or Southwark Towers, 32 London Bridge Street, London SE1 9SY England, Attention: Bernard P. O'Hare, or from MGF Oil Corporation, P.O. Box 360, Midland, Texas 79702-0360.

Dated: August 8, 1985.
Charles W. Vagner
Clerk of the Bankruptcy Court

By: /s/ LAWRENCE T. BICK
Lawrence T. Bick
Deputy Clerk in Charge

U.S. insurer buys real estate broker

BY OUR NEW YORK STAFF

METROPOLITAN LIFE, one of the biggest mutually owned U.S. insurance companies, has bought Century 21 Real Estate Corporation, the biggest real estate broker in the U.S., in a deal worth more than $200m.

Century 21, based in Irvine, California, was put up for sale by Transworld Corporation earlier this year. It said yesterday that more than 80 companies had expressed interest in buying Century 21, which has 6,500 franchise offices and 75,000 sales personnel. It operates in all 50 states of the U.S. as well as Canada and Japan. Last year it accounted for 550,000 home sales, or 11 per cent of the U.S. market. The company is also a growing factor in the fields of real estate, syndication and insurance.

Mr John Creedon, chief executive of the New York-based Metropolitan Life, says that the acquisition will "not only be a profitable investment, but will also complement our personal insurance distribution systems and our real estate mortgage activities." Met Life has acquired and developed several companies over the last 18 months, including Crossland Capital Corporation and Metfirst Financial, both of which are in the mortgage origination and servicing business.

"Century 21 will serve as one cornerstone of a full range of financial relationships between home buyers and Metropolitan," Mr Creedon said.

Transworld said that the sale of Century 21 and last year's spin-off of TWA to its shareholders marks the conclusion of the group's major restructuring.

NMB profit advances in half

NEDERLANDSCHE Middenstandsbank lifted earnings 19 per cent to Fl 65.6m ($21.1m) during the first half after slightly higher interest rate margins and lending activity, writes Laura Raum in Amsterdam.

NMB, the third largest Dutch commercial bank, *also raised its in*terim dividend by 10 cents to Fl 3.60 a share.

The bank predicted that profits for the whole year could rise above the Fl 108m level posted last year.

Turnover rose a modest 6 per cent to Fl 984.2m in the first six months on higher interest income, commission revenue, securities transactions fees and foreign exchange profits. Expenditures also increased 6 per cent to Fl 592.6m.

The combined balance sheet total *edged up 4 per cent to Fl 71.2bn* as of June 30 1985 compared with December 31 1984, reflecting greater home mortgage and international lending. The bank, which is 22 per cent state-owned, has been expanding rapidly overseas in recent years

Kosmos wins fight over board control

By Fay Gjester in Oslo

THE BOARD and management of Kosmos yesterday won a clear victory in their battle to retain control of the Norwegian shipping and industrial concern.

They will also keep at arm's length a section of shareholders, led by Norway's Kloster shipping group, which wants to see a link between Kosmos and Kloster, which now claims to control about 25 per cent of *Kosmos' 10m shares*.

A three hour shareholders' meeting, attended by about 250 shareholders and their representatives, voted to give the board authority to issue up to 2m new shares with a par value of NKr 25 ($3) each, to be used, as required, to finance strategic acquisitions.

The Kloster interests opposed this proposal, but managed to muster only about 19 per cent of the 6.2m shares represented at the meeting and qualified to vote. The meeting also approved a Kosmos proposal for a one-for-five scrip issue.

INTL. COMPANIES AND FINANCE

Mövenpick plans 20% capital lift with issue

By John Wicks in Zurich

MÖVENPICK, the Swiss international restaurant and hotel company, plans a rights issue equal to 20 per cent of its capital.

Conditions of the issue, which is to be in participation certificates, are to be announced early next month. Herr Ueli Prager, the chairman, said he was aiming for a wider distribution of equity at home and abroad.

The board will, he said, also ask for the option to issue further non-voting shares for acquisitions and other corporate purposes when the rights proposals are put to shareholders on September 28.

Mövenpick expects its parent company to pay increased dividends of SwFr 85 ($37.60) per bearer share and SwFr 17 per registered share for the year ended March 1985. The 17 per cent pay out compares with 16 per cent in 1983-84.

For 1984, the group boosted turnover by 16.8 per cent to SwFr 732.9m. Consolidated net profits rose 18.7 per cent to SwFr 8m.

On the basis of figures for the first seven months Herr Prager forecasts that sales growth for 1985 as a whole will be similar to that booked for last year.

Von Roll may return to the black

By Our Zurich Correspondent

VON ROLL, the Swiss engineering company, expects to return to profit this year for the first time since 1981.

The company bases its forecast on favourable market conditions, a slight fall in raw material prices and substantial cost reductions after rationalisation measures.

In the past three years Von Roll has run up a total loss of SwFr 82m ($36.3m). It has paid a dividend only twice since 1974.

Group turnover went up 11 per cent in the first half of 1985 to SwFr 617m, and new order value rose by 37 per cent to SwFr 816m.

The sharp rise in orders is partly due to contracts connected with a new Swiss army tank, and is reflected in a 75 per cent jump in orders received by the plant

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 20.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101¼	101¾	0	+0¼	10.43
Amex Credit 12⅝ 88	150	105⅞	106⅜	−0⅛	+0⅜	10.22
Atlant Richfld 10¼ 00	200	94⅜	94⅞	−0¼	+0¾	10.99
Australia Com 11¼ 00	100	102⅜	102⅞	+0⅛	+0⅛	10.87
Australia Com 11 95	200	102	102½	+1	+1	10.60
BP Capital 11⅛ 92	150	102⅛	102⅝	+0⅛	+0¾	10.57
Canada 11½ 90	500	105⅛	105⅝	−0¼	+0⅞	9.95
Canadian Pac 10¾ 93	100	100⅜	100⅞	+0⅛	+0½	10.61
Canadian Pac 12½ 99	75	106⅝	107⅛	−0⅛	+0¼	11.48
CBS Inc 11⅜ 92	100	103⅛	103⅝	0	+0¾	10.66
Chevron U.S.A. 12¼ 89	600	104¾	105¼	0	+0⅜	10.67
Citicorp 11½ 95	150	101	101½	0	+0⅛	11.27
Coca Cola 11¾ 91	100	107⅜	107⅞	0	+0⅜	10.01
Denmark Kingdom 11¼ 89	100	102⅜	102⅞	−0¼	+0¼	10.38
Denmark Kingdom 11½ 90	100	103½	104	+0⅛	+1	10.43
Denmark Kingdom 11½ 92	100	103⅝	104⅛	+0⅝	+1⅜	10.82
Denmark Kingdom 13¾ 91	100	110¾	111¼	+0⅛	+1	10.88
E.D.F. 10 95	225	95⅜	95⅞	+0½	+1	10.73
E.E.C. 11⅛ 90	100	103	103½	0	+0⅞	10.14
E.I.B. 12 95	200	106⅝	107⅛	+0⅛	+1⅛	10.89
Export Dev Corp 10 90	100	99⅜	99⅞	−0¼	+0¼	10.08
Export Dev Corp 12 89	100	105¾	106¼	0	+0½	10.15
Fed Dep Stores 10⅛ 95	100	95⅛	95⅝	0	+0⅞	10.73
Ford Motor Cred 11⅜ 90	100	102¼	102¾	−0⅛	+0⅜	10.60
Ford Motor Cred 11⅞ 95	100	102⅜	102⅞	+0⅛	+1⅜	11.14
Ford Motor Cred 11¾ 92	100	102¾	103¼	+0⅜	+0⅞	11.08
Ford Motor Cred 12 95	100	104¼	104¾	−0¼	+0⅞	11.16
Gen Elec Credit 10¼ 00	200	100½	101	0	+0½	10.14
GMAC 10¼ 89	200	100⅝	101⅛	0	+0⅝	9.94
IBM Credit 10⅜ 2000	300	102	102½	+0⅞	+0⅞	10.06
Japan Air Lines 13⅜ 94	100	† 117	117½	+0¼	+0⅝	10.32
Kellogg Company 10⅞ 90	100	102¼	102¾	−0⅛	+0¾	10.11
Kellogg Company 11¼ 92	100	103⅜	103⅞	−0⅛	+0⅝	10.42
L.T.C.B. 12⅛ 91	100	109¼	109¾	0	+0⅞	10.08
Macy Cred Corp 11¾ 95	100	103⅞	104⅜	−0⅛	+0¾	11.60
Mellon Bank 13 87	100	105¼	105¾	0	−0⅛	9.87
Merrill Lynch 12¾ 89	100	105⅝	106⅛	0	+0⅝	10.89
Minnesota 11½ 87	100	103½	104	−0⅛	+0¼	9.62
Mitsui Trust 11⅛ 90	100	102⅝	103⅛	+0⅛	+0⅝	10.61
Morgan Guaranty 12⅜ 89	150	106¼	106¾	−0⅛	+0¾	10.34
Penney J.C. 12¾ 91	100	107⅞	108⅜	0	+2	10.85
Pru Realty secs 12⅛ 95	546	106⅛	106⅝	0	+1⅛	10.98
Qantas Airways 10⅝ 95	140	98¼	98¾	+0¼	+0¾	10.82
Quebec Hydro 11½ 92	100	103⅛	103⅝	−0⅛	+0⅝	10.78
Queensland Govt 10¼ 95	100	97	97½	+0⅛	+1	10.71
Ralston Purina 11¼ 95	150	104¼	104¾	−0⅛	+1	10.95
Ralston Purina 12¾ 89	100	107½	108	0	+0⅞	10.34
Saskatchewan 10¼ 92	100	101½	102	+0¼	+1⅜	10.34
Saskatchewan 11⅞ 89	100	105⅛	105⅝	0	+0⅝	10.22
S Wales Trsy 11¾ 90	150	105	105½	0	+0¾	10.35
Swed Exp Cred 10 92	100	97½	98	+0¼	+0¾	10.46
Swed Exp Cred 12¾ 89XW	100	107⅛	107⅝	0	+0½	10.42
Sweden Kingdom 10⅞ 90	200	101¾	102¼	+0⅛	+0⅝	10.29
Sweden Kingdom 11½ 89	200	103⅞	104⅜	0	+0⅜	10.28
Sweden Kingdom 11¾ 94	100	104⅝	105⅛	+0⅜	+0¾	10.87
Tenneco Corp 10¾ 95	150	99⅞	100⅜	−0⅜	+0⅝	10.72
Texaco Capital 11⅛ 95	250	100⅞	101⅜	−0⅜	+1	10.91
Tokai Asia 11½ 95	100	101⅞	102⅜	0	+0½	11.11
Victorian Rep 11⅛ 92	150	104¼	104¾	+0⅛	+1	10.03
World Bank 12¼ 94	150	108	108½	+0¼	+1¼	10.76
World Bank 12⅞ 94	200	111⅜	111⅞	+0½	+1¼	10.79

Average price change On day +0⅛ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	107⅛	107⅞	+0⅛	+1⅛	6.86
Austria Republic 7⅝ 94	200	105⅛	105⅞	+0½	+0½	6.75
Baxter Travenol 7¼ 94	200	102⅞	103⅝	+0⅛	+0¼	6.73
Copenhagen 7⅜ 95	150	101⅜	102⅛	−0⅛	0	7.11
Credit National 8¼ 94	200	107⅝	108⅜	+0¾	+1⅛	6.84
E.I.B. 7¼ 94	300	102⅞	103⅝	+0¼	+1	6.78
Escom 8 92	150	96⅞	97⅝	+0¼	+0⅝	8.75
Ex-Im Bk Korea 7⅞ 90	100	99⅞	100⅝	+0⅛	+0⅝	7.84
Ferrovie Dello Stato 8 91	100	105⅞	106⅝	+0¼	+1¼	6.82
Finland Republic 7 92	200	101¼	102	+0¼	+0⅛	6.67
Gould Int Fin 7⅝ 91	100	105⅛	105⅞	+0¼	+0¼	6.44
Ireland 8⅛ 92	150	106⅜	107⅛	+0⅛	+0¼	7.01
Japan Fin Corp 7⅝ 91	100	105⅜	106⅛	+0½	+2	6.41
Mitsubishi Hvy 3½ 89WW	300	138⅞	139⅝	+2⅛	+7⅝	−3.79
Mitsubishi Hvy 3½ 89XW	300	92⅜	93⅛	0	+0⅝	5.88
Mitsubishi Mat 3⅛ 89WW	100	105½	106½	0	+1	1.68
Mitsubishi Mat 3⅛ 89XW	100	90⅝	91⅜	+0⅝	+1⅛	5.66
Quebec Hydro 7⅛ 95	200	102⅜	103⅛	0	+0¾	6.71
Renfe 7¼ 95	100	104	104½	−0⅛	0	7.12
Renown 3⅛ 90	80	107½	108½	+1⅝	+2⅝	1.41
Soc Cent Nuclear 7¼ 95	150	101⅜	102⅛	+0⅝	+1⅛	6.89
Societe Cent Nuclear 8 91	100	106⅞	107⅝	0	−0½	6.47
Sth African Tran 7⅝ 92	100	94⅜	95⅛	0	+0⅝	8.57
World Bank 7¼ 89	100	103⅜	104⅛	−0¼	+0⅛	6.49
World Bank 8 94	200	107⅜	108⅛	+0⅛	+0⅞	6.76

Average price change On day +0⅜ on week +1¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 5¼ 94	100	† 101½	101¾	−0¼	+0¼	5.01
Avco Cap Corp 5⅜ 94	130	† 99	99¼	0	−0¼	5.49
Brit Mind Comp 6½ 99	75	† 103¾	104	+0⅛	+0½	4.86
Council of Europe 6 92	120	† 101½	101¾	−0⅝	+0¾	5.39
Creditanstalt 5½ 94	100	† 99½	99¾	−0¼	0	5.60
Deutsche Bk Fin 5⅛ 95	100	† 101	101¼	0	+0¼	5.22
E.I.B. 5⅞ 94	120	† 101¾	102	0	−0¼	5.60
Export Dev Corp 5⅝ 92	125	† 100½	100¾	−0½	−0¾	5.27
Gen Occidentale 4½ 94	80	† 100¼	100½	+0¼	0	4.05
I C Industries 5⅝ 94	125	† 100	100¼	0	0	5.60
Ind Fund Fin 5¾ 94	40	† 100¾	101	+0¼	+0¼	5.62
Int-Am Dev Bk 6⅛ 94	120	† 101¼	102	−1	−1	5.89
N.Zealand steel 5¾ 96	70	† 99	99¼	+0⅜	0	5.86
Oberoi Kthak 5⅜ 95	100	† 99¼	99½	+0¼	0	5.60
Ralston Purina 5⅞ 94	125	† 101	101¼	+0¼	+0¼	5.21
Santos Finance Ltd 6 94	130	† 99	99¼	0	0	6.12
Tokyo Elec Pwr 5½ 93	120	† 100	100¼	+1½	+1½	5.47
Tokyo Metropolis 5¼ 94	80	† 99	99¼	+0¼	+0¼	5.37
World Bk 5¾ 94	150	† 101¼	101½	0	0	5.55

Average price change On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	100⅜	100⅞	−0⅛	+0⅛	6.58
Gdyr Tr & Rubber 7⅛ 95	25	99	99½	−0⅛	+0⅛	7.22
Mort Bk Denmark 7 92	10	100¼	100¾	−0⅛	0	6.96
New Brunswick 7⅛ 95	10	101½	102	−0¼	+0⅛	6.87
Swed Exp Cred Zero 90	14	72⅛	72⅝	0	0	6.54

Average price change On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Com 12⅞ 90SA	125	101⅛	102⅛	−0¼	−1¾	12.40
Citicorp Aust 13½ 88SA	40	100⅞	101⅞	+0¼	−0⅛	12.87
CSR Finance 13¼ 90 SA	40	99¾	100¾	−0⅝	−0⅛	13.15
Nissho Iwai 13¼ 90 SA	30	100⅝	101⅝	+0⅜	+0½	12.97
Amex 10¾ 90 C$	50	† 101	101½	+0⅛	+0⅛	10.39
Genstar Fin 11¾ 95 C$	75	† 98⅜	98⅞	+0⅜	+0¾	11.96
Hamil-Went th 10¾ 95C$	25	† 95¼	95¾	0	+0¾	11.38
Loblaw Cos 11⅜ 92 C$	50	† 100⅞	101⅜	+0⅜	+1	11.36
New Brunswick 11⅝ 95C$	75	† 101¾	102¼	+0⅝	+0⅞	11.28
Shell Canada 11¼ 92 C$	75	† 101½	102	+0¾	+1	10.87
Winnipeg City 10⅝ 90C$	50	† 100¼	100¾	+2	+1⅜	10.40
BP Capital 16 88 NS	50	99¼	100¼	−0¼	+0¾	16.09
Danish Ex Fin 16⅞ 90NS	40	95¾	96¾	+0¼	+0⅛	17.28
KB Ilima 16⅝ 90 NS	50	98	99	−0¼	+0⅛	16.82
Creditanstalt 8⅛ 94 EC	60	99½	100¼	+0¼	+0¼	8.06
Motorola 8⅝ 92 EC	50	99	99¾	+0⅜	+0⅜	8.74
Philips Intl Fin. 9 93 EC	75	103	103¾	+0¼	+0¼	8.38
Eurofima 7½ 92 FL	50	105	105½	0	+0⅝	6.50
Philips Lamps 7½ 90 FL	100	105	105½	0	+0¾	6.17
Rank Xerox 8 90 FL	100	105	105½	0	+0¼	6.65
Van Lanschot 7½ 90FL	50	102⅞	103⅜	+0⅛	0	6.71
World Bank 7½ 90 FL	150	104½	105	0	+0½	6.36
IBM France 11⅛ 90 FF	700	98⅞	100⅜	+0¼	+0⅛	11.87
Amer Express 11⅜ 92 £	30	102½	103	+0¼	+0⅞	10.74
Australia Comm 11 92 £	40	99¾	100¼	0	+0⅜	10.97
BP Capital 10¾ 92 £	50	99⅛	99⅝	+0⅛	+0⅜	10.87
E.I.B. 11⅛ 93 £	90	100⅛	100⅝	−0⅛	−0¼	11.02
GMAC UK Fin 10½ 90 £	30	98⅜	99⅛	0	0	10.93
Imp Chem Inds 11¼ 95 £	75	100½	101	+0⅛	+0¼	11.11
Inco 12¾ 93 £	50	103¼	103¾	0	+0¼	11.97
Mcdonalds 10⅞ 90 £	40	99⅞	100⅜	0	+0⅝	10.98
Privatbanken 11⅞ 92 £	20	100	100½	0	0	11.78
Rank Xerox 11 92 £	40	99⅛	99⅝	0	+0⅛	11.11
Royal Trustco 11⅜ 90 £	30	100⅛	100⅝	−0⅛	0	11.22
Star Drug Cap 10⅝ 90 £	30	99½	100	+0⅛	+0⅜	10.91
Tricentrol XW 11 92 £	35	94⅝	95⅛	+0⅛	−0⅛	12.13
Trusthouse Forte 11⅛ 90£	50	99⅜	99⅞	0	+0¼	11.19
World Bank 11¼ 95 £	100	102⅜	102⅞	−0⅜	−0⅛	10.78
E.C.S.C. 10⅛ 94LF	100	103⅜	104⅜	+0⅜	+0⅝	9.53
Nat Lux Alum 10½ 92 LF	600	104⅜	105⅜	−0⅛	−0⅜	9.51

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	99⅜	99⅝	27/9	9.6	9.64
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅜	3/9	8⅛	8.11
Bank of Montreal 5 96	0⅛	100⅜	100⅞	28/10	8.31	8.25
Bankers Trust 5 2000	0	99⅜	99⅞	11/9	7.69	7.71
Bankers Trust 5¼ 96	0⅛	100¼	100½	13/9	8.50	8.50
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/9	10.06	10.02
B.N.P. 5¼ 96 (July)	0¼	100⅛	100⅜	22/1	8¼	8.21
C.C.F. 5¼ 97	0	100	100¼	22/9	10⅝	10.61
Chase Man'tn 5 2000	0	99⅝	99⅞	12/11	8⅛	8.15
Chase Man'tn 5¼ 2009	0⅛	99¾	100	6/9	7.81	7.82
Citicorp O/S 5¼ 96 Sep	0⅛	99⅝	99⅞	19/12	11.19	11.22
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.88	9.83
Ireland 5¼ 97	0	100⅛	100⅜	20/10	9.80	9.86
Ireland 5¼ 99	0	100¼	100½	14/11	10	9.95
Italy, Republic 5 94	0⅛	100⅛	100⅜	12/11	8⅞	8.85
Lloyds Bank 5¼ Perp	0¼	99⅞	100⅜	9/12	8	7.99
Midland Bank Perp 5	0¼	99⅝	99⅞	19/12	8⅛	8.16
Nat West Perp 5	0⅛	101⅛	101⅜	13/11	9⅛	9.01
Nat West Perp A 5¼ S	0¼	99½	99¾	9/1	8¼	8.28
Nat West Perp B 5¼ S	0¼	99⅝	99⅞	10/2	8.81	8.92
Queensland Coal 5¼ 96	0¼	100⅜	100⅝	12/11	9	8.96
Roy Bk Canada 5 2005	0⅛	† 99⅜	99⅞	5/9	8⅛	8.16
Roy Bk Scot 5¼ 2005 £	0	99¼	99½	2/8	12.81	12.89
Sweden Perp 5¼	0⅛	100⅛	100⅜	9/1	8.31	8.29
Tokai 5¼ 99	0⅛	100¼	100½	12/12	8⅛	8.09

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	113¾	114¾	+2⅛	5.92
Fanuc 3⅜ 98	1/84	7032.3	145⅛	146⅝	−2¼	37.41
Fujitsu 3 99	5/84	1320.9	80⅛	81⅛	−0⅜	22.24
Kumagai Gumi 3½ 2000	3/85	600	100⅝	101⅞	+0⅛	2.08
Marui 3½ 99	7/84	1182	120½	121½	−2½	−1.80
Mitsubishi Elec 2⅞ 00	3/85	422	90⅞	91⅞	−0⅛	0.95
Murata 3½ 99	2/84	2061.2	84⅝	85⅝	−0¾	34.40
Murata 3½ 2000	7/84	2388	83¾	84¾	−0⅜	38.74
Nippon Elec 2⅞ 2000	1/85	1208	82⅝	83⅝	−0⅜	23.54
Nippon Oil Co 3 2000	5/85	923	100⅛	101⅛	−0⅛	6.10
Nippon Oil Co 3¼ 99	3/84	1052	† 104	105	0	32.59
Oki Elec Ind 3½ 99	10/84	805	86⅛	87⅛	+0⅛	32.14
Orient Leasing 5¼ 98	6/83	2880	92½	94½	0	−2.46
Sekisui House 3 99	6/84	612	140⅛	141⅛	−1¼	−2.22
Sony Corp 2 2000	5/85	4578	86⅝	87⅝	+0⅜	5.80
Sumitomo Corp 2⅞ 99	5/84	593	119¾	120¾	−0½	−0.03
Taiyo Yuden 3¼ 2000	3/85	1078	89½	95	−3	−5.80
Takeda Riken 3⅛ 2000	10/84	7663	† 79	80	0	37.74
Tokyo Sanyo Elec 3½ 99	12/84	772	87¾	88¾	+0½	5.55
Toshiba Ceramics 3 2000	4/85	1734.2	83½	85	−0⅛	17.12
Nippon Oil Co 2½ 92 SF	2/84	1052	† 105¼	106⅞	+0¼	28.32
Nippon Shinpan Co 2 92 SF	3/84	801	† 99	99¼	−1¼	12.61
Asics 5 92 DM	12/83	520	105¾	106¾	−0⅜	32.13
Sum Realty 6¼ 92 DM	2/83	338	283⅞	285⅛	−4	−4.24

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date—Date next coupon becomes effective. Spread—Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn.—current coupon. Cs. yld—current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day—Change on day. Cnv. date—First date for conversion into shares. Cnv. price—Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

First Pacific hit by big deficit at Hagemeyer

BY DAVID DODWELL IN HONG KONG

HAGEMEYER, the Netherlands-based commodities group controlled by First Pacific International in Hong Kong, has incurred "substantial losses" in recent months, the parent revealed yesterday.

Hagemeyer accounts for 99 per cent of First Pacific International's turnover, so these losses are likely to have a significant impact on the parent's half-year figures, which are due early next month. Losses are said to be due to "an unusually strong decline" in market prices for coffee.

Two Hagemeyer subsidiaries, Saks International and Multitrade BV, are major traders in coffee, and account for the lion's share of the company's business.

First Pacific International, the trading and distribution arm of First Pacific Holdings, controlled by the Liem family and associates in Indonesia, said losses are likely to amount to U.S. $4.2m. This compares with a 1984 full-year profit of U.S. $5.12m.

Because of continuing problems in commodities trading, the group revealed yesterday that it plans to restructure Hagemeyer, reducing its dependence on commodities trading, and increasing emphasis on its international trading operations.

Talks are in progress on "intended co-operation" with Sears World Trade of the U.S., Mr Thomas Yasuda, an executive director in First Pacific International, said yesterday. This co-operation "will mean strengthening Hagemyer's traditional trading activities." he said.

No agreement has yet been concluded, but further announcements should be expected when interim figures are revealed, Mr Yasuda added.

First Pacific has had a series of headaches linked with Hagemeyer ever since it acquired control less than four years ago. It now holds a 67 per cent stake in the trading company, which was founded in Java in 1900.

An embarrassing probe in 1982 by the U.S. customs service into whether several coffee shipments arranged by Saks International had entered the U.S. in violation of the International Coffee Agreement ended inconclusively, but with a settlement costing Hagemeyer an extraordinary loss of U.S. $383,625.

More worrying for First Pacific at the time was the way the controversy revealed how limited its control was over the Hagemeyer board of management under Holland's two -tier board structure. Rationalisation of Hagemeyer has been under way since 1983 to remedy this problem. This led the parent to predict in its latest annual report that a "positive structural earnings trend has been established" in Hagemeyer's trading, and an overall upward trend in profits in 1985. This forecast must now be in question.

BHP buys Texaco stake in Chile mine

By Gordon Cramb

BROKEN HILL Proprietary (BHP), the Australian resources group, has taken full control of the giant Escondida copper project in Chile with the sale by Texaco of its half share for an undisclosed sum.

BHP plans, however, to sell on about 40 per cent of Escondida—believed to be the world's largest undeveloped copper deposit—to a consortium of new minority partners. The Melbourne company said yesterday that negotiatiatoins with potential entrants into the project were well advanced.

Texaco and BHP came to be equal partners in Escondida through their acquisitions respectively of Getty Oil and the San Francisco-based Utah International. The U.S. oil major had for some months made clear its wish to offload its holding in the copper complex.

Utah estimates the total investment needed for Escondida to be A$1.6bn (U.S.$1.13bn) and foresees an annual earnings potential from the mine of as much as *A$500m a year by the 1990s.*

The projection is based on a cautiously optimistic view of prices for the metal, currently depressed. BHP's intention in opening up participation in the project is to avoid too large an exposure to copper, in which its interests include a 30 per cent share in Papua New Guinea's Ok Tedi development.

According to Mr Charles McArthur, a Utah vice-president, the economics of Escondida remain favourable on any reasonable outlook for copper prices. This is based largely *on the size and* accessibility of the deposits — an estimated 545m tonnes of surface mineable reserves at an average copper grade which at 2.16 per cent compares well with mines elsewhere.

This is despite the difficult terrain in which Escondida is situated, some 10,000 ft above sea level in the northern Itacama Desert. Total reserves, including those which could not be exploited by open-cut methods, are believed to total about 1.7bn tonnes.

BHP's wish to acquire control of Escondida was signalled by Mr McArthur three weeks ago in a speech to investment analysts

South African engineer falls into loss

By Our Financial Staff

ABERCOM, the South African engineering group, slid into loss in the year to June—a period in which it undertook a large-scale sale of assets—and expects domestic trading conditions to "remain very difficult" for the current year.

Pre-tax profits from continuing operations were ahead at R12.28m ($5.1m) against R9.49m, but the figure for the latest year was more than eroded by losses of R27.09m charged against discontinued activities.

It maintained its dividend total for the year at 12 cents

The net deficit was R14,10m against profits last time of R7.06m. Abercom's retained businesses were R12.28m in the black, although down about 13 per cent from the previous year. Sales overall slipped from R222.35m to R204.83m.

Tronoh Mines ahead

An improved net profit for the six months to June 30 of 2.12m ringgit ($862,000) is reported by the Malaysian tin-producing Tronoh Mines. It compares with 1.94m ringgit in the first half of 1984

Earnings halved at RTZ Bougainville operation

BY KENNETH MARSTON, MINING CORRESPONDENT

FOLLOWING a loss of 5m kina ($5m) sustained in the second half of 1984, the Rio Tinto-Zinc group's big Bougainville open-pit copper and gold operation in Papua New Guinea has made a net profit of 8.05m kina in the first six months of this year. The interim dividend is maintained at 2 toea (2.1 cents).

However, the latest earnings are well down compared with the net profit of 16.6m achieved in the first half of 1984. The fall reflects lower metal production as a result of declining ore grades, notably of gold.

Compared with a year ago, the average grade of gold in ore milled during the first six months of 1985 fell to 0.38 grammes per tonne from 0.52g. As a result the output of gold contained in concentrates fell to 5,977 kg from 8,841 kg. Copper output was 81,204 tonnes (88,195 tonnes) and silver 20,813 kg (23,837 kg).

The adverse effects on Bougainville's revenue of lower U.S. dollar prices for its gold and copper were cushioned by a 14 per cent depreciation in the PNG kina against the U.S. dollar average of 1984.

● Kia Ora Gold Corporation states that at its Marvel Loch gold mine in Western Australia it has successfully integrated the new mill for treating ore from the open-pit with the mill for the underground material. Mining is due to commence in November at a second open-pit where reserves are put at 564,000 tonnes

Dip at Saudi American Bank

SAUDI AMERICAN Bank, 40 per cent owned by Citibank of the U.S., has reported a 3 per cent dip in first-half net profits to 137.3m riyals ($37.6m) compared with 141.7m riyals in the period to June 1984, Our Financial Staff writes.

The bank boosted loan loss provisions by 14 per cent to 1.5bn riyals. Assets at the year-end totalled 13.77bn riyals as against 13.07bn riyals. Loans and advances fell 4.5 per cent to 5.47bn riyals while deposits rose 6 per cent to 10.83bn riyals.

PHILIPS

PHILIPS' LAMPS HOLDING
(N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken)

Half-Yearly Statement to 30th June 1985

Report on the course of business of the Philips Group

The increase in the sales of the Philips Group in the first half-year of 1985 amounted to 13 per cent in terms of guilders and 7 per cent in terms of volume; which is regarded as very satisfactory. The disappointing development of sales in the U.S. Philips Trust, which fell short of expectations mainly as a consequence of the adverse situation in the market for semiconductors, was compensated for by the favourable course of business in the other group companies.

The appreciable increase in income achieved by the other group companies was insufficient to compensate for the considerable setback suffered by the U.S. Philips Trust. Net income in the first six months of 1985 amounted to f 436 million. A net extraordinary item of expenditure of f 15 million was debited against this net income in connection with the discontinuation of our welding activities and the proposed sale of Draka Kabel B.V. Net income from normal business operations therefore amounted to f 451 million in the first half of 1985, compared with f 544 in the corresponding period of the previous year, which represents a drop of 17 per cent.

Almost 6 per cent of the 13 per cent increase in sales was accounted for by the combined effect of changes in prices and exchange rates, the volume increase, which was achieved entirely outside the United States of America, was more than 7 per cent. All the product sectors contributed to the increase in sales, the strongest growth having been achieved by Products and Systems for Professional Applications. Sales of Compact Disc Players, video and radio recorders and Hi-Fi equipment continued to develop favourably, as a result of which the product sector Home Electronics for Sound and Vision achieved an above-average growth despite a virtually stagnating market for colour TV sets. Primarily as a result of sluggish market growth, the increase in the volume of sales in the sectors Lighting and Batteries and Domestic Appliances and Personal Care Products fell short of the company's average volume growth. This was also the case in the Industrial Supplies sector, though here this was solely as a result of the development of the market in the United States of America.

In the regions Europe, Latin America and Australia and New Zealand increases in sales were achieved which were higher than in the first half of 1984, not taking into account the effect of changes in exchange rates. The rates of growth were lower in Asia and Africa. In the region USA and Canada an increase in sales was attained in terms of guilders which was slightly above the company average, though sales expressed in dollars were at about the same level as in 1984.

Income from operations in the first half-year of 1985 fell in comparison with the same period of 1984 by f 41 million to f 1,604 million. This net decrease is due to a sizeable reduction in the operating income of Industrial Supplies and positive developments in the other product sectors. The decline in Industrial Supplies was caused to a major extent by the developments in the United States of America, in particular in Signetics Corporation. In the Sound and Vision sector the decline in the U.S. Philips Trust's income from operations was completely offset by the positive trend in the other group companies. The average increase in the operating income of the other product sectors was 34 per cent. Viewed geographically, income from operations fell in the USA and Canada, while it increased substantially in Europe and Latin America.

Compared with the end of June 1984, there was a slight drop in the level of inventories as a percentage of sales. The target which has been set has not yet been achieved, however.

The number of employees has fallen by 6,500 since 1 January 1985. This adjustment has occurred entirely in plants which produce for the North American market and which are located in the USA and Canada, Asia and Latin America.

For the year as a whole we anticipate a sales volume which will be approximately 7 per cent greater than in 1984. If economic recovery in the United States of America is still not forthcoming this year, the structural improvement in the other group companies will not be able to offset completely the consequences which this will have for the income of the US Philips Trust. In such an event it cannot be expected that the anticipated gradual improvement in income in 1985 in relation to 1984 will be achieved.

	2nd quarter		Jan. to June	
Amounts in millions of guilders	**1985**	1984	**1985**	1984
Net sales	**13,685**	12,144	**27,363**	24,173
Income from operations	**703**	813	**1,604**	1,645
Gearing adjustment	**151**	150	**307**	296
Financial income and expenses	**−511**	−461	**−1,043**	−936
Income before taxes	**343**	502	**868**	1,005
Income taxes	**−155**	−226	**−391**	−452
Income after taxes	**188**	276	**477**	553
Equity in net income of unconsolidated companies	**23**	28	**25**	69
Minority interests	**−20**	−42	**−51**	−78
Net income from normal business operations	**191**	262	**451**	544
Extraordinary loss after taxes	**−15**	—	**−15**	—
Net income	**176**	262	**436**	544
Income from operations as percentage of net sales	**5.1**	6.7	**5.9**	6.8
Income before taxes as percentage of net sales	**2.5**	4.1	**3.2**	4.2
Income after taxes as percentage of net sales	**1.4**	2.3	**1.7**	2.3
Net income as percentage of stockholders' equity	**4.1**	6.8	**5.1**	7.1
Net income from normal business operations per common share, f 10 par value (in guilders)	**0.88**	1.24	**2.10**	2.58
Do. per common share, f 10 par value, based on historical cost (GAAP) (in guilders)	**0.99**	1.65	**2.23**	3.19
Net income per common share, f 10 par value (in guilders)	**0.81**	1.24	**2.03**	2.58
Do. per common share, f 10 par value, based on historical cost (GAAP) (in guilders)	**0.89**	1.65	**1.93**	3.19

At end of June	**1985**	1984
Inventories (as percentage of net sales in the last 12 months)	**30.2**	30.6
Average collection period of trade accounts receivable (in months)	**2.3**	2.3
Marketable securities and liquid assets	**1,447**	1,262
Total liabilities as percentage of capital employed	**64.8**	63.9
Number of employees (comparable figure on 1 January 1985: 341,300)	**334,800**	343,900
of which in the Netherlands (comparable figure on 1 January 1985: 68,100)	**68,800**	67,600

In calculating income and capital employed, allowance has been made for an estimated proportion of those provisions which it is anticipated will have to be made at the end of the financial year. Polygram, in which Philips has had a majority interest since the beginning of this year, is included in the figures as an unconsolidated company.

The loss resulting from the discontinuation of two segments of activity has been included under the item extraordinary loss. In determining this loss, account is taken of Revaluation to an amount of f 77 million which as a consequence of the discontinuation of activities is no longer necessary.

N.V. Philips' Gloeilampenfabrieken
THE BOARD OF MANAGEMENT

Eindhoven, 14 August 1985.

UK COMPANY NEWS

Standard Chartered up 42% to near £134m

IN LINE with analysts' predictions of a significant increase in results, Standard Chartered lifted pre-tax profits by 42 per cent from a restated £94.2m to £133.8m in the first half of 1985. The largest improvement was in the UK, where profits jumped from £27.2m to £78.6m.

The aggregate charge for bad and doubtful debts was 24 per cent lower at £45.6m (£60.3m), but more than half of the general portion of £12m (£15.9m) comprised further provision for sovereign risk exposure. Specific provisions amounted to £33.6m (£44.4m).

Lord Barber, the chairman, says there was a marked improvement in loan experience in the UK and in Tropical Africa, but Singapore, Europe and the Middle East all had special problems.

Last year's results have been restated to take into account the reduction in May of the group's interest in Stanbic of South Africa from 53 per cent to 43 per cent.

Lord Barber says the effect of exchange rate movements on the pre-tax profits of overseas operations reduced the reported increase in first-half profits by some £15m, of which £10.6m related to the South African rand.

In South Africa, Stanbic reported a 25 per cent increase in taxable profits, but the weakening of the rand produced a reduced contribution in sterling terms of £18.8m (£25.6m) and South Africa now accounts for 14 per cent of group profits.

In view of the 18 per cent fall in the value of the rand against sterling in July, the rate at July 31, 1985 of R3.12 = £1 was used to translate the results of, and investment in, Stanbic.

The improved group results were contributed in the main by three regions—the UK, where the performance is described as outstanding, North America and Tropical Africa. Against this, results in Europe, Singapore and Malaysia were disappointing.

The results from the rest of the East were in aggregate similar to last year, but with pleasing progress in India and Pakistan, the chairman states. However, Hong Kong did well to maintain profits in the face of the sharp decline in interest rates.

In view of the group's improved results, the interim dividend is raised from 9.5p to 10.5p net—last year's final was 19p. Half-yearly earnings per share were 38 per cent higher at 38.7p (28.1p) reflecting increased pre-tax profits while the effective tax rate remains broadly unchanged.

Tax took £68.4m (£48.4m) and after minorities of £5.2m (£2.1m) net profits came out at £60.2m, compared with £43.7m which was before an extraordinary charge of £13.6m. Dividends absorb £16.3m (£14.8m) leaving a retained balance of £43.9m (£15.3m).

Total assets employed have decreased by £1.6bn to £26.8bn, due mainly to the effect of currency movements. Underlying volume growth was some £0.9bn.

Since the year-end, the group has significantly strengthened its balance sheet by the issue of US$400m and £150m of undated primary capital notes.

See Lex

REGIONAL ANALYSIS OF PRE-TAX PROFITS

	First half 1985 £m	First half 1984 (restated) £m
UK	78.6	27.2
Europe	*1.8	0.8
North America	33.4	15.3
Middle East and South Asia	*1.0	*0.7
Asia Pacific	23.0	40.8
Tropical Africa	27.7	14.8
South Africa	18.8	25.6
Total†	133.8	94.2

* Loss. † After loan interest of £44.9m (£29.6m in 1984).

Enterprise steps up pressure on Saxon

ENTERPRISE OIL has published details of its £120.6m offer for Saxon Oil, and stepped up the pressure on the North Sea exploration company by buying 14.91 per cent of Saxon in the market.

The document confirmed the offer price of 540p cash per share, which has divided the Saxon board, and offered a share alternative.

Saxon holders can elect to receive up to 20 per cent of their consideration in new Enterprise shares, at a price of 181p, subject to a ceiling of 20 per cent of Saxon's equity.

There is also a loan note alternative.

If the full share entitlement were taken up, the effect would be to increase Enterprise's ordinary equity by 13.3m shares. Rio Tinto Zinc, which at present has a 29.9 per cent holding in Enterprise, would see this fall to 28.1 per cent.

Yesterday was the second closing date for the agreed merger between Saxon and Charterhouse Petroleum, which in a statement last night continued to recommend the deal. It requested that the merger offer be extended for a limited period.

Earlier, Enterprise bought Saxon equity in the market for the first time with the purchase of 3.33m shares (14.91 per cent), at the 540p offer price.

Enterprise declined to identify the vendors, but denied that it was the Electra House investment trust group, in which Mr Michael Stoddart, a Saxon board member, has an interest.

Saxon shareholders who have accepted the terms of the Charterhouse merger, about one-third, have until September 3 to withdraw their acceptances and consider the Enterprise offer.

The document also states that Enterprise sees no obstacle to resolving matters relating to the management and staff of Saxon "in a fair and generous manner." Mr Julian West, an Enterprise executive, said yesterday that this would cover all Saxon management, including Mr John Heaney, the chief executive, who was among the dissenters from the board's recommendation on Monday night.

Saxon shares closed at the offer price of 540p last night, up 60p on the day, while Enterprise rose 2p to 180p.

Lisa Wood on the final days of the Guinness bid for Bell

A battle of rare ferocity

THE CITY could be forgiven if it gives a collective sigh of relief at the end of this week as the £360m bid by Guinness for Arthur Bell & Son comes to a climax.

For the past three months the two companies have been engaged in a battle that has been unusually vitriolic—even by the increasingly aggressive conduct of British takeover bids—with the City subject to almost daily verbal sniping.

But for all the effort put in by Bell, City analysts said yesterday that, unless a white knight appeared at the 11th hour, all the indications pointed to a victory for Mr Ernest Saunders, chief executive of Guinness. "It would be very sad for Mr Raymond Miquel (chairman of Bell)," said one analyst, "but every company has its price."

Bell's tactics have won little admiration in the City and have even provoked internal dissent, culminating in the decision by one director, Mr Peter Tyrie, to urge acceptance of the Guinness bid.

Mr Miquel's strategy to retain the independence of his company, the largest independent Scotch whisky company, has repeatedly back-fired. Dramas included an angry outburst against his former merchant bankers, Morgan Grenfell, which are currently acting for Guinness, confusion over just who are his public relations advisors, and brushes with the Takeover Panel, which asked Bell to "clarify" certain statements it made about Guinness.

Guinness, on the other hand, has conducted a skilful public relations exercise, wooing the Scottish lobby, avoiding a reference to the Monopolies and Mergers Commission, and forcing Bell onto the defensive with constant criticism of its market share.

It is a battle that has been joined by a few surprise players such as Labroke, the gaming and leisure group, whose announcement that it had a 3.5 per cent stake in Bell provoked wide scale speculation as to whether or not it was discussing with both protagonists a possible sale of Bell's Gleneagles Hotel group. In the event, Guinness raised its original offer for Bell, and Ladbroke took the cash. Guinness currently holds 13.35 per cent of Bell's shares with a further 5.35 per cent pledged in acceptances at the last closing date.

The Guinness bid initially surprised the City. Since Mr Saunders took over in 1981, the company's pre-tax profits have grown from £43m to £70.4m in the year to September 30 1984. The message from Guinness had been that it wished to reduce its dependence on brewing, currently some 80 per cent of turnover, and the City had assumed this meant all drinks businesses.

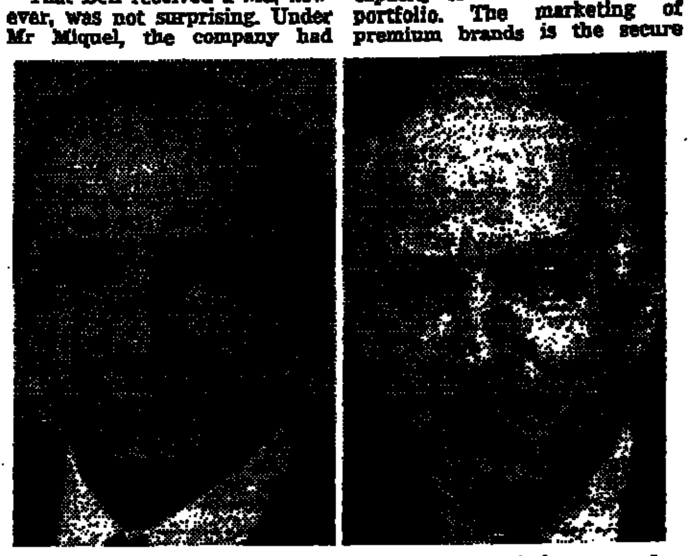
That Bell received a bid, however, was not surprising. Under Mr Miquel, the company had seen its pre-tax profits grow from £3m in the early 1970s to more than £35m in 1984. But growth in earnings slowed down as the company faced heightened competition in the UK, where its brand is market leader, and additional refurbishment costs at the Piccadilly Hotel, part of its £27m Gleneagles Hotels acquisition. Shortly before the Guinness bid was launched, its share price was 160p, compared to last night's close of 265p.

Guinness says the logic behind the bid is that Bell's could form an integral part of its international marketing plans. "The bid is a first step towards the creation of a new worldwide marketing force by uniting two of the world's most potent brand names," says Mr Saunders.

He points out that Bell's blended whisky brand has fallen from 24 per cent of the UK market to 20 per cent, failing to compete successfully in the important take-home market, while the brand has underperformed in the important U.S. market.

In contrast, he claims, Guinness's marketing skills have revived sales of its stout in the UK, while its U.S. importing company has shown growth of 30 per cent a year for its portfolio of beers which include Kaliber, a non-alcoholic drink, Guinness, Harp and Fustenberg.

"We believe," he says, "Guinness has a proven acquisition management ability plus the capacity to handle a worldwide portfolio. The marketing of premium brands is the secure way of building profits, but the image of the brand is the key."



Mr Ernest Saunders (left) chief executive of Guinness, and Mr Raymond Miquel, chairman of Bell's.

Mr Miquel's first line of defence has been to try to shoot holes in the Guinness record: "It would," he says, "be an absolute disaster if a stagnant company like Guinness, with a dismal track record in the U.S., was to interfere with our marketing organisation."

He argues that Bell's blended brand is increasing sales in the UK take-home sector. Bell's marketing policy is clear, consistent and above all, successful, he says. It is to concentrate on the premium high quality and profitable end of the Scotch whisky market. Profit margins, he adds, have been maintained and he has not discounted whisky to supermarkets to get rid of surplus stock.

As for the U.S., "Bell is moving ahead—the acquisition of Wellington Importers, the hiring of key personnel and the promotional expenditure have all been necessary towards future success." In the year ended June 30, some 47 per cent of all sales by volume were overseas, and exports for the financial year increased by 14 per cent in value and 19 per cent in volume.

On the hotels, Bells argues that the newly reopened Picadilly can again contribute to profits, and the group is determined to maximise profitability from this side of its business.

Bell recently made a profit forecast of £37.5m for the year to June 1985, up about 7 per cent on last year's £35.17m, but the total dividend for the year would be 8p net per share, an increase of 66 per cent. For the current year it is forecasting a further dividend increase of not less than 15 per cent.

The company argues that, at the price of Guinness' paper offer, Bell's shares have a dividend yield of 4.23 per cent, higher than the 4.03 per cent of the FT-Actuaries Industrial Group and the 3.8 per cent yield on Guinness ordinary stock.

However, analysts believe Bell's profit growth over the next couple of years could be fairly pedestrian, and point out that its share price could drop sharply if Guinness falls and no other predator appears.

Guinness could not be buying Bell cheaply, though analysts point out that the prospective exit price earnings multiple of around 16 is considerably less than the average paid for other companies recently taken over in the brewing sector.

Guinness earnings per share were 20.9p for the year to September 1984 and with a profit forecast of £83m for the year to September 1985, the City is tipping earnings per share at 25p. The acquisition of Bell would not impact this year on profit or earnings, but next year the dilution of over 10 per cent would mean no increase in earnings. After that the City is looking for growth of around 15 per cent per annum from the combined group.

If Guinness does acquire Bell it will have a strong cash generating business which will reduce its dependence on overseas markets such as Nigeria, as well as providing a strong base for more acquisitions. "There is no doubt Guinness wants to be one of the biggest in the business," said one analyst.

The key to success in the international drinks business is strong brand images and a powerful marketing effort. Both Guinness and Bell have made much of their abilities in these fields over the past three months—and the bid battle has given them a showcase to parade their abilities to sell themselves.

Friday afternoon will show the City's verdict on their performances.

Queens Moat surges to £4m

Queen's Moat Houses, one of Britain's largest independent hotel chains, raised its first-half pre-tax profits by 45 per cent and says the excellent trading experienced during the period is continuing in the second six months.

Along with the interim statement the group, which already this year has arranged the addition of 622 bedrooms, reveals that it has exchanged contracts to buy outright the long lease of the Telford Hotel Golf and Country Club in Shropshire.

For the opening six months to July 14 pre-tax profits surged from £2.78m to £4.05m on a turnover up by £7.09m to £35.57m.

Earnings rose by 0.18p to 1.86p per 5p share and the interim dividend is being lifted from 0.665p to 0.765p net.

Mr John Bairstow, the chairman, says half-year benefited from the increasing contribution of the extensive hotel purchases made at the end of 1983 and from the strong demand from the business consumer for high quality hotel facilities.

He adds that the policy of continued investment in the existment in the existing hotels has shown "positive and most encouraging results."

The second six months will have the full benefit of last April's £26m rights issue proceeds. Mr Bairstow points out that this has strengthened the balance sheet by substantially reducing gearing and facilitates the expansion programme for the present and the foreseeable future without the need for further shareholder finance.

Looking further ahead he says there is considerable scope for developments and improvements within the group and also for the acquisition of further hotel properties that complement the existing portfolio.

Forward bookings for 1986 are promising and Mr Bairstow is confident that future progress is assured.

He says that after the relative consolidation of 1984 the group has so far in 1985 arranged the addition of 622 bedrooms. This will take the total number of rooms up from 4,541 last year to 5,163, including accommodation under construction and from acquisitions.

This year hotels have been purchased in Dover, Rotherham, Aberdeen and Barnsley and other properties for new building, in

The group already has a 100-bedroom hotel under construction at Telford which is due to open in mid-1986. Mr Bairstow says the second purchase there emphasises the group's view of excellent growth prospects in the area.

● comment

On a purist view of a like-for-like basis, Queens Moat's figures only need adjusting for one extra hotel worth no more than £100,000 to the latest profit figures. But that ignores the impact of the large number of hotels purchased towards the end of 1983 which would have taken the group some months to influence in terms of pricing and forward booking thus not fully benefiting the comparable period. So, without a guide from the management, the market can only guess at the underlying growth rate. Nevertheless the consensus view is that the first half looks acceptable. The bias towards commercial and local business—about 90 per cent of profits—insulates Queens Moat against the vagaries of the tourist market so forecasts of £9m to £10m pre-tax for the year can be made with confidence. Assuming a tax rate of 20 per cent, though this will rise in 1986, fully diluted earnings come out around 4p per share. The prospective p/e is about 14 at 56p, which looks a little optimistic, though that is perhaps typical of the sector.

T. Clarke higher

T. CLARKE has lifted turnover from £11.57m to £15.34m for the six months ended June 30 1985, and after interest of £50,000 rose from £268,000 pre-tax profits to £296,000. The interim dividend is unchanged at 0.7p and after tax of £150,000 (£135,000) earnings per share were 1.486p (1.354p). As a result of continuing trading losses and the decline of activities in the North, T. Clarke (Northern) has ceased trading in Leeds and Sheffield.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Fife Indmar	int.	0.75	—	0.75*	—	3.5*
Fleming Mercantile	int.	1.25	Oct 1	0.72p	—	3
Gaskell Broadloom¶	int.	2	Oct 1	1.5	—	5
A. & J. Gelfer		3.3	—	3	5.2	4.9
Jos Holdings		2.55	Nov 1	2.2	3.55	3.2
Alfred McAlpine ...	int.	3.8	Oct 11	3.5	—	11
Metal Bulletin‡	int.	1.5	Oct 11	1.25*	—	4*
1928 Trust	int.	1.5	—	2p	—	3.5‖
Queens Moat	int.	0.77	Oct 17	0.67	—	1.33
Rentokil Group	int.	0.89	Nov 14	0.78	—	2.13
Standard Chartered	int.	10.5	Oct 4	9.5	—	28.5
Supra Group	int.	0.8p	Oct 11	0.73*	—	1.86*
United Packaging‡		2	—	1.75	3.6	3.15

Dividends shown in pence per share except where otherwise stated.

*Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ To reduce disparity. ‖ For nine months to December 31 1984.

Record profits predicted by Racal

By David Goodhart

Racal Electronics is predicting record profits and sales of £1.5bn in the present financial year.

But yesterday's annual meeting was told by the chairman, Sir Ernest Harrison, the performance would depend on the strength of the U.S. economy and currency fluctuations. No specific profit forecast was made.

He conceded that the electronics sector had lost some of its glamour because of the tough international trading conditions. He added, however: "We remain in good shape and we have a fine set of products".

In the year to March 31, profits rose by 11 per cent to £132m and sales by 35.7 per cent to £1.1bn.

Sir Ernest said the cellular radio was outperforming expectations and sales were set to exceed £37m this year. It was expected to break even in the final quarter and show a £5m profit at least next year.

Last year's acquisition of Chubb was expected to make the company a world leader in the security industry. "We are injecting a lot of technology into Chubb which it certainly needs," said Sir Ernest.

It was reported that the group spends nearly 7.5 per cent of turnover on research and development.

Mixed first half for Rentokil

WITH MIXED trading at home and overseas and earnings being affected by the strengthening of the pound, Rentokil reported a 7 per cent rise in first-half taxable profits on turnover little changed.

The directors say that the prospects for the second half are good and expect full-year results will be comfortably ahead of those for 1984.

In the six months to the end of June 1985, turnover increased from £70.67m to £71.25 and pre-tax profits were up to £12.04m (£11.26m), at the bottom end of the expected range. The interim dividend is being raised from 0.78p net per 10p share to 0.89p. Last year the total payment was 2.13p from pre-tax profits of £24.75m.

The directors say that trading was mixed in the UK with contract services making goodf progress, property care being disrupted by the early bad weather but then recovering, and an almost unchanged result from timber preserving. The recovery in property care was not enough, however, to prevent a fall in turnover compared with the start to 1984 when home improvement grants were more readily available and before the imposition of VAT on some of the property care activities.

The overseas companies, particularly in West Germany and Australia, produced excellent results. Profits increased by 25 per cent at constant exchange rates. The strength of the pound at the end of the period, however, materially reduced their sterling value with the total cut in overseas profits being £454,000.

An exchange deficit arising since the end of 1984 on the translation into sterling of net assets overseas amounted to £3.56m compared with a surplus for the corresponding period last year of £641,000. It was debited directly to reserve.

The board's expectation of an improved full year is based on the condition that there is no further major rise in the rate.

Dividends took £1.71m (£1.49m), leaving retained profit at £5.02m against £4.67m last

● comment

Cautious comments from the chairman at the AGM last May Knocked 40 per cent off the Rentokil share price as the market braced itself for interims below the company's usual high standards. In the event, a 7 per cent increase in profits is slightly worse than forecast, but a confident statement repaired the damage and the shares closed little changed at 132p. The reasons for the slow-down—the harsh winter, the imposition of VAT on home improvements, the squeeze on local authority spending, and the effect of the stronger pound on overseas profits—are all beyond the company's control. It is, however, encouraging to see that by cutting costs in the hard-hit property care sector margins have risen despite a down-turn of sales of nearly 15 per cent. While this division should have a slightly better second half, showing some improvement over the difficult second half last year, contract services, in particular the sanitact and hygiene divisions, should continue to do admirably. On the assumption that exchange rates end the year roughly at current levels (which would reduce profits for the full year by some £1m) the company should make profits of about £27.5m this year, which after a 42 per cent tax rate would imply a fair price earnings multiple of 16.

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NOTICE OF ISSUE — ABRIDGED PARTICULARS

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the undermentioned Stock to be admitted to the Official List.

The Eastbourne Waterworks Company

(Incorporated in England on 8th August, 1859 by The Eastbourne Waterworks Act, 1859.)

OFFER FOR SALE BY TENDER OF

£2,750,000

8⅜ per cent. Redeemable Preference Stock, 1995

(which will mature for redemption at par on 30th September, 1995)

Minimum Price of Issue £100 per £100 of Stock

yielding at that price, together with the associated tax credit at the current rate, £11.96 per cent.

This Stock is an investment authorised by Section 1 of the Trustee Investments Act, 1961 and by paragraph 10 (as amended in its application to the Company) of Part II of the First Schedule thereto.

The preferential dividends on this Stock, which will rank *pari passu* for dividends with the existing Preference Stocks and Shares, will be at the rate of 8⅜ per cent. per annum without deduction of tax. Under the imputation tax system, the associated tax credit, at the current rate of Advance Corporation Tax (3/7ths of the distribution), is equal to a rate of 3 33/56ths per cent. per annum.

Tenders for the Stock must be made on the Form of Tender supplied with the Listing Particulars and must be accompanied by a deposit of £10 per £100 nominal amount of Stock applied for and sent in a sealed envelope to Deloitte Haskins & Sells, New Issues Department, P.O. Box 207, 128, Queen Victoria Street, London EC4P 4JX marked "Tender for Eastbourne Water Stock" so as to be received not later than 11 a.m. on Thursday, 29th August, 1985. The balance of the purchase money will be payable on or before Thursday, 26th September, 1985.

Copies of the Listing Particulars, on the terms of which alone Tenders will be considered, and Forms of Tender will be available, for collection only, during normal business hours today and tomorrow from the Company Announcements Office of The Stock Exchange, London EC2. Copies may also be obtained during normal business hours from:—

Seymour, Pierce & Co.,
10, Old Jewry, London EC2R 8EA.

Barclays Bank PLC,
5, Station Parade, Eastbourne, East Sussex BN21 1BL

or from the Company's principal office, 14 Upperton Road, Eastbourne, East Sussex BN21 1EP.

21st August, 1985.

UK COMPANY NEWS

Booker bids £10m in plan to boost seed activities

BY CHARLES BATCHELOR

Booker McConnell, food distribution and agricultural products group, is making an agreed cash bid worth £10.3m for Charles Sharpe & Co., the Lincolnshire seed grower and merchant.

The deal will triple the size of Booker's seed business, an area it entered as recently as December 1984 when it paid £17m for Agrisort, whose interests included Hurst seeds.

Booker yesterday announced it was offering 570p cash for each Sharpe share with the alternative of unlisted floating rate loan notes 1986-2000 at terms to be revealed in the formal offer document.

Sharpe's shares rose 45p to 545p yesterday—25p below the level of the cash bid. The shares rose 105p on Monday, prompting the Stock Exchange to launch an investigation. Sharpe's shares are narrowly held, however, and large movements have resulted from minimal business. Booker, whose shares rose 11p to 273p, said it had bought no shares.

The Sharpe board estimated that the company made pre-tax profits of not less than £1m on turnover of not less than £19.6m in the year ended June 30 1985. After-tax profit was not less than £760,000. At the year-end net tangible assets were not less than £7.8m.

The asset figure included properties valued at £2.9m on the books but with a current open market value of £3.9m.

The Booker offer has the backing of shareholders owning 23 per cent of Sharpe, principally members of the Coy family, which has three directors on the board.

The combination of the Hurst and Sharpe businesses, with total turnover of about £30m should give Booker a leading position in the seed market for grasses, pulses (peas and beans) roots and other vegetables and important positions in sugar beet, certain cereals and flowers, the company said.

"This gives us a critical mass in this area," said Mr Jonathon Taylor, Booker's managing

F. H. Tomkins

F. H. Tomkins, the fast growing West Midlands engineering group, has increased its stake in Office and Electronic Machines to 8.19 per cent, or some 0.5m ordinary shares.

Mr Gregory Hutchings, Tomkins' chief executive, said yesterday that the holding was purely a share investment, and that Tomkins had previously held a stake of under 5 per cent in OEM, which is the sole UK distributor for Adler, Imperial and Triumph electronic typewriters and word processors.

All-round advance lifts Utd. Packaging to £1.3m

BETTER RETURNS from its operations in the UK and Zimbabwe enabled USM company United Packaging to lift its profits before tax from £1.07m to £1.29m in the year to April 30, 1985.

Along with an increased final dividend of 2p, which lifts the total from 3.15p to 3.6p net, shareholders are also to receive a scrip issue on a one-for-three basis.

In the UK turnover pushed ahead from £5.04m to £6.45m and pre-tax profits from £443,000 to £597,000. Figures from Zimbabwe, where the dollar remained weak, amounted to £2.83m (£2.93m) and £697,000 (£625,000) respectively.

In Zimbabwe, turnover in local currency showed an increase of 14 per cent although this was not reflected in the sterling conversion. The higher profits from there resulted from a more efficient operation coupled with the start up of the cotton spinning plant.

The directors point out that the additional yarn capacity gives the group further export opportunities.

They say no account was taken in the UK figures for dividends arising on the Zimbabwe operation but add that during 1985/86 there will be some dividend remittance from there.

Shareholders are told that the economic climate within Zimbabwe is healthy and that the group expects to be allowed to remit 50 per cent of post-tax profits by way of dividend on 1986-87 results.

During the year under review a wholly-owned subsidiary was formed in Botswana. The company has received its manufacturing licence and will take up some of the surplus spinning capacity from the Zimbabwe plant to manufacture twine and treads—much being for export. The directors are confident that the new company will soon be a valued contributor to group profits

● comment

United Packaging sensibly continues to separate its performance in the UK and Zimbabwe right down to the bottom line. Here the earnings per share figure based on UK earnings — 10.41p against 9.48p the previous time — is the one most people are interested in because it represents the only income available for distribution. The Zimbabwean embargo on profit and dividend remittances is apparently to be eased and complicated transition arrangements could therefore see the earnings per share figure begin an upward surge this year, but the safer view is to stick to the UK earnings. These continue to make steady progress: United Packaging is not a company to stand still — witness last year's Cotlon synthetic cotton venture —and this year is likely to see further exploitation of technological advances in the packaging field. The shares' marketability is limited by the fact that the founder and chairman, Mr Ernest Ascher, still owns 78 per cent of them. Yesterday they rose 3p to 95p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Britannic Assurance, Federated Housing, Hawley, Insight, Kean and Scott, Liberty Life Association of Africa, Mersey Docks and Harbour, J. N. Nichols (Vimto), Pearl Assurance, Teltos.

Finals: SelecTV, W. H. Smith.

FUTURE DATES

Interims—	
American Trust	Aug 27
Associated British Ports	Sept 11
Croda International	Sept 10
European Ferries	Sept 9
Exco International	Sept 3
Industrial Scotland Energy	Sept 2
Juliana's	Aug 28
Ley's Foundries and Engng.	Aug 30
Molynx	
Morrison (Wm.) Supermarkets	Sept 18
Neill (James)	Aug 29
Pentos	Sept 5
Scottish Agricultural Indusrs.	Aug 29
Williams Holdings	Aug 29
Finals—	
Coronation Syndicate	Sept 12
Flogas	Aug 27
Framlington	Sept 6
Harvey and Thompson	Aug 28
Humberside Electronic Controls	Aug 22
Kennedy Smale	Aug 28
Staffordshire Potteries	Sept 19
Tweefontein United Collieries	Sept 12

Standard Chartered PLC

Interim Statement

The Standard Chartered Group profit before taxation for the half year to 30th June 1985 is £134 million, after taking into account the reduction in May of the Group's interest in Standard Bank Investment Corporation Limited ("Stanbic") of South Africa, which is now accounted for as an associated company.

	Six months ended 30th June 1985	Six months ended 30th June 1984 (restated)*	Twelve months ended 31st December 1984 (restated)*
	£m	£m	£m
Profit before taxation:			
— Group excluding Stanbic	115.0	68.6	185.3
— Stanbic	18.8	25.6	54.3
	133.8	94.2	239.6
Profit after taxation and minority interests	60.2	43.7	100.1
Earnings per share	38.7p	28.1p	64.4p
Dividends per share	10.5p	9.5p	28.5p

In announcing the interim results, the Chairman, Lord Barber, said:

"The profit before taxation of the Group for the half year to 30th June 1985 increased by 42% compared with the corresponding period in 1984.

These improved results were contributed in the main by three regions: by the U.K. businesses whose performance was outstanding, and by North America and Tropical Africa. Against this, results in Europe, Singapore and Malaysia were disappointing. The results from the rest of the East were in aggregate similar to last year, but with pleasing progress in India and Pakistan. However, Hong Kong did well to maintain profits in the face of the sharp decline in interest rates that has occurred.

In South Africa, Stanbic reported a 25% increase in pre-tax profits, but the weakening of the South African rand has actually produced a reduced contribution in sterling terms and South Africa now accounts for 14% of Group pre-tax profits.

In view of the 18% fall in the value of the rand against sterling in July, the 31st July 1985 rate of R 3.12=£1 has been used to translate the results of, and investment in, Stanbic.

There has been a marked improvement in loan experience in the U.K. and in Tropical Africa, but Singapore, Europe and the Middle East have all had special problems. The aggregate charge for bad and doubtful debts is, however, 24% lower at £46 million, but more than half of the general portion comprises further provision for sovereign risk exposure.

The effect of exchange rate movements on the pre-tax profits of overseas operations has reduced the reported increase in first half profits by approximately £15 million, compared to the first half of 1984, of which £10.6 million relates to the South African rand.

Earnings per share of 38.7 pence are 38% higher than the comparable period of 1984 reflecting the higher level of pre-tax profits whilst the effective tax rate remains broadly unchanged.

In view of the improved results an interim dividend of 10.5 pence per share (1984—9.5 pence) has been declared for payment on 4th October 1985, to shareholders registered on 12th September 1985.

Total assets employed have decreased by £1.6 billion from £28.4 billion to £26.8 billion, due principally to the effect of currency movements; underlying volume growth was some £0.9 billion (3%).

Since the year end, the Group has significantly strengthened its balance sheet by the issue of US$400 million and £150 million of undated primary capital notes. After taking into account these issues and the recently announced conversion of US$300 million undated loan capital into primary capital notes, the ratio of primary capital to total assets now stands at 8.1% as against 5.5% at the year end. The free capital ratio has risen to 7.3% from 5.8%."

Group Results

(unaudited)

	Six months ended 30th June 1985	Six months ended 30th June 1984 (restated)*	Twelve months ended 31st December 1984 (restated)*
	£m	£m	£m
Operating profit	142.4	86.0	230.8
Share of profits of:			
Stanbic	18.8	25.6	54.3
Associated companies	17.5	12.2	27.8
	178.7	123.8	312.9
Interest on subordinated loan capital	44.9	29.6	73.3
Profit before taxation	133.8	94.2	239.6
Taxation (Note 4)	68.4	48.4	130.8
Profit after taxation	65.4	45.8	108.8
Minority interests	5.2	2.1	8.7
Profit before extraordinary items	60.2	43.7	100.1
Extraordinary items	—	(13.6)	(26.7)
Profit attributable	60.2	30.1	73.4
Dividends	16.3	14.8	44.3
Profit retained	43.9	15.3	29.1
Earnings per share	38.7p	28.1p	64.4p
Dividends per share	10.5p (Interim)	9.5p (Interim)	28.5p (Final)

* For basis of restatement see note 1

Notes

1. On 3rd May 1985 the shareholders of Stanbic approved a 1 for 5 rights issue and, as indicated at the time of the announcement of the issue, the Group did not take up its entitlement. As a result the Group's shareholding has reduced from 53% to 43%. Following this change, the Group's share of the profits of Stanbic has been shown separately and comprises four months at 53% and two months at 43%. The 1984 results have been restated to show Stanbic as if it was an associate on a comparable basis at 53%.

2. The charge for bad and doubtful debts comprises:

	Six months ended 30th June 1985	Six months ended 30th June 1984 (restated)	Twelve months ended 31st December 1984 (restated)
	£m	£m	£m
Specific	33.6	44.4	88.0
General	12.0	15.9	48.8
	45.6	60.3	136.8

3. Regional analysis of profit before taxation *(after allocation of central expenses)*

	Six months ended 30th June 1985	Six months ended 30th June 1984 (restated)	Twelve months ended 31st December 1984 (restated)
	£m	£m	£m
United Kingdom	78.6	27.2	76.9
Europe	(1.8)	0.8	(5.9)
North America	33.4	15.3	57.7
Middle East and South Asia	(1.0)	(0.7)	0.8
Asia Pacific	23.0	40.8	90.4
Tropical Africa	27.7	14.8	38.7
South Africa	18.8	25.6	54.3
Interest on loan capital	(44.9)	(29.6)	(73.3)
	133.8	94.2	239.6

4. The charge for taxation, which reflects the estimated effective rate for the year, is based on a U.K. corporation tax rate of 41.25% as provided in the Finance Act 1984, and comprises:

	Six months ended 30th June 1985	Six months ended 30th June 1984 (restated)	Twelve months ended 31st December 1984 (restated)
	£m	£m	£m
Company and subsidiaries	51.6	34.1	98.8
Stanbic	8.4	8.9	20.6
Other associated companies	8.4	5.4	11.4
	68.4	48.4	130.8

5. The financial information included herein for the twelve months ended 31st December 1984 is based on the full Accounts for 1984 which have been filed with the Registrar of Companies, and on which the Auditors gave an unqualified report.

Standard Chartered

Direct banking, worldwide

A copy of the Press Release is available from The Secretary, Standard Chartered PLC, 10 Clements Lane, Lombard Street, London EC4N 7AB.

Eastbourne Water pref. offer

THE Eastbourne Waterworks Company becomes the first water company to offer a 10-year preference stock today with the offer for sale by tender of £2.75m of 8⅜ per cent redeemable preference stock 1995.

The issue, underwritten by brokers Seymour Pierce, offers a conventional gross yield on the minimum tender price of £100 of 11.96 per cent and a fully grossed up franked investment income yield of 12.94 per cent.

The last issue by a water company was of 9 per cent redeemable preference stock 1990 by the Mid Southern Water Company. It was heavily oversubscribed and now stands at £104 bid, no stock offering.

The Eastbourne Waterworks Company was incorporated in 1859 and supplies water to an area of 826 sq km in East Sussex under an arrangement with the Southern Water Authority. It has net assets of £6.588m and made a pre-tax profit of £880,000 in the year to December against £877,000 the year before.

The offer closes at 11 am on August 29 and the minimum amount of stock which may be tendered for is £100. A deposit of £10 per £100 must accompany each tender and the balance is to be paid not later than midday on September 26.

● comment

The Eastbourne Waterworks Company offer looks rather attractive, especially for corporate customers and institutions which will compare the stock's fully grossed up franked investment yield of 12.94 per cent with the equivalent Treasury gilt's yield of 11.38 per cent, or roughly 10.8 per cent to redemption. At these prices even small investors' interest could be aroused, particularly if they can move in at a low tender price: the issue looks likely to go at a premium of 1-1½ per cent, which still leaves it yielding ½ point more than the Treasury 12¼ per cent 1995. The only hitch for small investors is that they will have to take a long-term view, for the quantities of stock are small and are mainly going to be tied up in the hands of the institutions. This means that as in the case of the Mid Southern Water Company issue in March, there is unlikely to be a market in the stock once the initial interest has worn off.

JM sells £0.5m offshoot

BY DAVID GOODHART

Johnson Matthey, the metal refining and chemicals group, which sold its troubled banking subsidiary to the Bank of England for £1 last year, yesterday announced the sale of a small health care products subsidiary.

Malthus Instruments, a manufacturer of microbiological analysers, has been bought by Radiometer of Copenhagen for about £500,000.

The business, a division of Matthey printed products, was acquired about 18 months ago. Mr Joseph Stevenson, operations director, said last night that the company had broken even on the deal.

Although the proceeds of the sale will be used to reduce JM's debt, Mr Stevenson stressed that the company, which has recently arranged a refinancing deal, would not be disposing of subsidiaries simply to deal with its debt prolem. "We will do that by improved trading and profits," he said.

The strategic review, begun last year by the new board, concluded that JM had diversified into too broad a portfolio. The company will now be concentrating on its core metals business.

Dee chief's pay rise

Mr Alec Monk, chairman and chief executive of Dee Corporation, the Gateway supermarkets and Carrefour hypermarkets group, more than doubled his salary to £153,000 in the year ended April 1985. He earned £76,000 in 1984.

Mr Monk's emoluments included a £36,000 bonus related to the increase in Dee's earnings. Pre-tax profits last year rose to £64m (£28m).

Raper finds buyer for his Milbury stake

Mr Jim Raper announced yesterday he had found a buyer for his 78.7 per cent stake in troubled building group, Milbury, whose shares were suspended at 19p.

The Stock Exchange expressed concern about the position of the minority shareholders in Milbury, one of whom is seking a Department of Trade enquiry into Milbury.

Logica

Logica, the leading computer company, yesterday announced it was having no discussions with regard to an offer for the company after its share price rose 30p to close at 180p.

The directors said they were not aware of any reason for the rise.

MANUFACTURERS HANOVER TRUST COMPANY
£75,000,000
Floating Rate Subordinated Capital Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 11⅝% per cent per annum. The Coupon Amounts will be £146.51 for the £5,000 denomination and £1,465.07 for the £50,000 denomination and will be payable on 20th November 1985, against surrender of Coupon No. 4.

Manufacturers Hanover Limited
Agent Bank

FIRST CHICAGO OVERSEAS FINANCE N.V.

U.S.$100,000,000 Guaranteed Floating Rate Subordinated Notes Due 1994

For the three months
21st August, 1985 to 21st November, 1985
The notes will carry an interest rate of 8 5/16 per annum with a coupon amount of U.S.$212.43. The relevant interest payment date will be 21st November, 1985.

Listed on the London Stock Exchange

Bankers Trust Company
Agent Bank

GENBEL INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

Gencor Group

FINANCIAL RESULTS AND DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 1985

The unaudited consolidated financial results for the year ended 30 June 1985 and the comparative figures for 1984 show:

		Year to 30.6.85	Year to 30.6.84
Income before taxation	— Rm	69.1	59.2
Taxation	— Rm	(3.8)	(1.9)
Preference dividend	— Rm	(0.7)	(0.8)
Surplus on realisation of investments (net)	— Rm	1.7	5.1
Written off investments	— Rm	(7.1)	(2.6)
Income after taxation	— Rm	59.2	59.0
Ordinary shares in issue	(000)	32,336	32,336
Earnings per share — cents:			
excluding investment transactions		200	175
including investment transactions		183	183
Dividends per share	— cents	170	150
Investments at market value/directors' valuation	— Rm	1,069	1,059
Net asset value per share	— cents	3,182	3,130

Final Dividend declared on 20 August 1985 — Payable 3 October 1985
Amount per share 105 cents — Currency conversion 23 September 1985

Copies of the full financial results and dividend declaration may be obtained from the office of the London Secretaries, 30 Ely Place, London EC1N 6UA.

REJECT THE GUINNESS OFFER

Here's why

BELL'S has growth potential

* BELL'S had 4.3 per cent by volume of total Scotch Whisky industry exports to the ten largest export markets (excluding the U.S.A.) during calendar 1984. In calendar 1982, our share was only 3.5 per cent. There is substantial scope for profitable growth abroad as BELL'S moves towards the 20 per cent market share which BELL'S has already achieved in the U.K.
* BELL'S is moving ahead in the U.S.A. - the acquisition of Wellington Importers, the hiring of key personnel and the promotional expenditure have all been necessary steps towards future success.
* The newly reopened Piccadilly Hotel can again contribute to profits. BELL'S is determined to maximise profitability and capital appreciation from its hotels business.
* BELL'S has a record of strong cash flow. Future cash flow will be available to invest in new sources of profits.

BELL'S is a sound investment

* BELL'S ordinary shares have an above-average dividend yield. At the Guinness paper offer value of 270p, BELL'S shares have a dividend yield of 4.23 per cent based on the dividend forecast of 8p (net) per ordinary share for 1984/85. That is a higher yield than shown by the FT-Actuaries Industrial Group (which is 4.03 per cent) and is higher than the yield on Guinness ordinary stock units, which is 3.80 per cent.
* BELL'S is forecasting a further increase of not less than 15 per cent in dividends for the current financial year.
* The average price earnings multiple of industrial company shares is 12.92. With that multiple applied to non-hotel profits alone, the value of a BELL'S share would be 210p with the value of the hotels in the price for nothing.
* The BELL'S team of Board and management remains dedicated to the successful growth of the BELL'S business.

(a) The source of the figures for total Scotch Whisky industry exports to the ten largest export markets excluding the U.S.A. was the Scotch Whisky Association.

(b) The statement of BELL'S strong cash flow is based on the net cash inflow from the on-going businesses of BELL'S, before acquisitions of fixed assets and investments and excluding proceeds from disposals, over the three years ended 30th June, 1984, of £58.1 million.

(c) The value of Guinness' paper offer of 270p per BELL'S share was based on the middle market closing price of Guinness ordinary stock units of 271p as shown in The Stock Exchange Daily Official List dated 16th August, 1985 (being the latest practicable date before publication of this advertisement) and by valuing the proposed 8¼ per cent convertible unsecured loan stock of Guinness at par.

(d) The source of the average price earnings multiple of industrial company shares was the FT-Actuaries Industrial Group Index on 16th August, 1985. The earnings per share to which this multiple was applied were the estimated profits after taxation and preference dividends of the Non-Hotels Group set out in the letter dated 5th August, 1985, divided by the existing issued ordinary share capital of BELL'S.

(e) The yield on Guinness ordinary stock units is based on the forecast dividend of 7.2p (net) for the year ending 30th September, 1985 and the price of Guinness ordinary stock units calculated in accordance with paragraph (c) above.

IGNORE THE GUINNESS SLOGANS

The Guinness bid worth 245p cash or 270p in paper IS NOT ENOUGH

Guinness' publicity masks its basic weaknesses in business and management methods

REJECT THE GUINNESS OFFER RETAIN BELL'S FOR YOURSELVES

This advertisement is published by Arthur Bell & Sons plc whose directors (other than Mr. P.R. Tyrie) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.

De Beers

Interim Report and Declaration of Dividend

The following are the unaudited consolidated results for the half-year ended 30th June 1985 together with the comparative figures for the half-year ended 30th June 1984, and for the year ended 31st December 1984.

	Half-year ended 30-6-85 R millions	Half-year ended 30-6-84 R millions	Year ended 31-12-84 R millions
Diamond account	318	208	575
Investment income	127	110	183
Other interest	41	33	80
Share of retained profits after tax of associated companies	160	154	345
Net surplus on realisation of investments	14	3	8
	660	508	1 191
Prospecting and research	45	34	89
General charges	8	5	9
Interest payable	76	46	155
Amount written off investments and loans	1	4	5
Loss on realisation of fixed assets	—	—	1
	130	89	259
Profit before tax	530	419	932
Tax	105	61	167
State's share of profit under mining leases	22	2	2
	127	63	169
Profit after tax	403	356	763
Profit attributable to outside shareholders in subsidiaries	49	34	83
Dividends on preference shares	1	1	2
	50	35	85
Net profit attributable to deferred shareholders before extraordinary items	353	321	678
Share of extraordinary (losses)/profits of associated companies	(60)	64	44
	293	385	722
Dividends on deferred shares	54	45	144
Retained profit	239	340	578
Earnings per deferred share before extraordinary items:			
Excluding share of retained profits of associates	53.6c	46.5c	92.4c
Including share of retained profits of associates	98.1c	89.4c	188.4c
Dividends per deferred share:			
Interim	15.0c	12.5c	12.5c
Final			27.5c

Comment

CSO sales for the first half of 1985 amounted to US $837 million or R1 676 million compared with US $945 million of R1 180 million for the corresponding period of 1984, and US $668 million or R1 126 million for the second half of that year.

Earnings for the half-year reflect an improvement in the diamond account flowing from the lower sales in dollar terms being more than offset by the lower rand/dollar exchange rate. Investment and interest income were both higher. Interest paid increased reflecting higher rates and the larger borrowings during these six months compared with the corresponding period last year. The increase in prospecting and research is largely due to the lower rand/dollar exchange rate. Higher tax and State's share of profits flow from the higher diamond account.

Over the 6 months long and medium-term liabilities reduced by R105 million to R776 million and net current assets improved by R131 million to R413 million showing an overall improvement of R236 million. There was no change in the issue of R200 million redeemable preference shares. The rand/dollar exchange rate was $0.507 at 30th June 1985 compared with $0.5033 at 31st December 1984 and $0.7364 at 30th June 1984.

Sales of rough diamonds by the CSO continue to show the improvement reflected in the first half of the year with interest being shown in a broader range of diamonds. Reports of overall world retail sales of diamond jewellery continue to be satisfactory.

It should not be assumed that the results for the half-year ended 30th June will be repeated in the half-year ending 31st December, since income does not necessarily accrue evenly throughout the year and because of the uncertainty regarding the rand/dollar rate.

INTERIM DIVIDEND

Declaration of Dividend No. 131 on the Deferred Shares

On 20th August 1985 dividend No. 131 of 15 cents per share (1984: 12.5 cents) being the interim dividend in respect of the year ending 31st December 1985 was declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 27th September 1985 and to persons presenting coupon No. 75 detached from deferred share warrants to bearer.

A notice regarding payment of dividends on coupon No. 75 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 20th September 1985.

The deferred share transfer registers and registers of members will be closed from 28th September 1985 to 11th October 1985 both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 31st October 1985.

Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 30th September 1985 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 27th September 1985.

The effective rate of non-resident shareholders' tax is 11.682 per cent.

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board.

J. OGILVIE THOMPSON } Directors
N.F. OPPENHEIMER

21st August 1985.

Head Office: 36 Stockdale Street, Kimberley, South Africa.
London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ.
Transfer Secretaries: Consolidated Share Registrars Limited, 40 Commissioner Street, Johannesburg, (P.O. Box 61051, Marshalltown, 2107)
Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

De Beers Consolidated Mines Limited

Registration No. 11/00007/06
Incorporated in the Republic of South Africa

ABERCOM

GROUP LIMITED

(Incorporated in the Republic of South Africa)

PRELIMINARY REPORT

AUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 1985

	1985 R000	1984 R000
CONTINUING OPERATIONS		
Turnover	204 825	222 347
Income before net interest and taxation	13 341	13 303
Net interest	1 062	3 810
Income before taxation	12 279	9 493
Taxation	937	2 433
Income after taxation	11 342	7 060
DISCONTINUED OPERATIONS		
Loss before interest payable and taxation	24 580	
Interest payable	2 507	
Loss before taxation	27 087	
Taxation	(1 644)	
Loss after taxation	25 443	
TOTAL OPERATIONS		
(Loss)/income after taxation	(14 101)	7 060
SHARES IN ISSUE (averaged 000's)	21 477	21 188
EARNINGS AND DIVIDENDS PER SHARE	Cents	Cents
EARNINGS		
From continuing operations	53	33
From total operations	(66)	33
DIVIDENDS	12	12

AUDITED CONSOLIDATED BALANCE SHEET

at 30 June 1985

	1985 R000	1984 R000
CAPITAL EMPLOYED		
Shareholders' equity	76 909	86 170
Deferred taxation	4 633	6 258
Interest bearing borrowings	41 844	27 879
Total	123 386	120 307
EMPLOYMENT OF CAPITAL		
Fixed assets	58 970	57 259
Investments and long term debt	4 250	7 675
Current assets	106 254	92 164
Total assets	169 474	157 098
Current liabilities	46 088	36 791
Total	123 386	120 307

Results

Certain operations were sold or closed during the year, results from continuing and discontinuing operations are therefore reported separately. No portion of the losses on discontinued operations has been classified as extraordinary.

While profits from continuing operations at R12.3 million, were 29% higher at the pre-tax level than those for last year (due to the discontinuation of loss-making businesses during the year), profitability at this level from operations which were continuing at 30 June 1985 fell by some 13% when compared directly to their previous year's performance.

Outlook

We expect trading conditions in South Africa to remain very difficult for at least the next twelve months. Our fan manufacturing activity in South Africa will be affected by this, but to a lesser extent than component manufacturing. Overseas conditions are stable at present and we expect considerable improvement on last year's performance in Dollar and Sterling terms.

Balance sheet

Shareholders' equity of R76.9 million at 30 June 1985 reflects the past year's loss from total operations and takes into account an increase in currency conversion reserve relating to foreign operations, dividends and a reduction of capital as approved by shareholders on 7 August 1985. Borrowings at 30 June 1985 were R41.8 million. Borrowings net of cash of R8.7 million at this date represented 46% of shareholders' equity. Taking the reduction of capital into account, shares in issue at the date of this report were 20 306 211 (1984 — 21 476 711), giving a net asset value per share of 379 cents (1984 — 401 cents).

Dividend declaration

Dividend number 44 has been declared by the board at the rate of 6 cents per share (1984 — 6 cents). Dividends will be payable to shareholders registered on the Johannesburg and London Registers on 20 September 1985. Dividend cheques will be posted on or about 16 October 1985, those for shareholders on the London register being drawn at the rate of exchange ruling at the close of business on 19 August 1985, non-resident shareholders' tax where applicable will be deducted. This dividend absorbs R1 218 000.

Peter Herbert
Chairman and Chief Executive

Gerald Buckley
Deputy Chairman

20 August 1985

Abercome House, Oxford Park.
P.O. Box 782464, Sandton 2146, South Africa

UK COMPANY NEWS

McAlpine profits hit by weather and weak rand

Alfred McAlpine, the building, civil engineering and minerals group, blames poor winter weather and the weakness of the South African rand for a fall in pre-tax profits from £7.37m to £6.8m in the six months to April 30 1985.

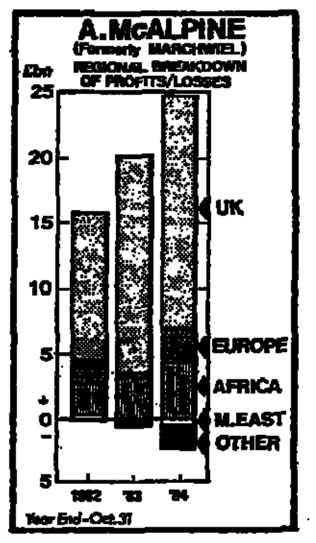
It says it still hopes a little underlying growth can be achieved this year, but warns that it is far from certain that it will achieve last year's pre-tax profit of £22.64m, which included £2.2m of exceptional capital profits.

Although the performance of its South African associate held up well in the first half, in line with expectations, Mr A. J. McAlpine, chairman, says the poor exchange rate led to a substantial reduction in profit in sterling terms.

Unless there is a dramatic improvement in the exchange rate in the second half, profits will fall further, he warns.

The bad weather affected not only construction sites but also other activities. Penrhyn Quarry, for example, was closed by the weather for a short period.

In spite of the disappointing results the interim dividend is being increased by 0.3p to 3.8p net.



Turnover rose in the half-year to £154.76m against £144.53m. Profit after tax was £4.25m (£4.24m). Earnings per share were unchanged at 11.7p.

The construction division is holding up well in spite of the recession in the UK and, Mr McAlpine says, there are signs that there may be a little more work soon.

Both the minerals and homes divisions made small acquisitions in the U.S. and the group intends to look for substantial growth there.

The company has returned to Nigeria to complete a contract. But it says overseas orders are as difficult to secure as last year and turnover from overseas construction is low.

The company has obtained judgment in the International Chamber of Commerce Court of Arbitration for a joint venture award worth more than £7m. This is being vigorously pursued, says Mr McAlpine, and the company has every confidence that the award will be honoured in Kuwait. However, it is unlikely to affect this year's result.

Mr McAlpine says the group, formerly Marchwiel, remains in a strong position to take advantage of any easing of the recession.

First-half shortfall at Metal Bulletin

Metal Bulletin, publisher of international trade journals and directories and conference organiser, turned in reduced pre-tax profits of £312,000 in the first half of 1985. These compared with £499,200 last time, although the company says this result represented an exceptionally high point in the group's historic trading cycle.

Mr F. L. Rice-Oxley, the chairman of this USM company, says a buoyant second half is expected and he predicts that net available profits for the full year will be similar to last year's £678,000. With regard to 1986, he says there are good grounds for optimism.

In view of the board's confidence in the future, the net interim dividend is raised by 20 per cent from an adjusted 1.25p to 1.5p — last year, payments totalled an equivalent 4p after adjusting for the one-for-one scrip issue.

Tax for the half year took £128,700 (£230,900) giving a net balance of £183,300, against £268,300. Stated earnings per 10p share dropped from an adjusted 3.06p to 2.09p.

The revenue generated by "Square Mile" for the first part of 1985 did not meet the board's criteria. It was therefore decided to discontinue publication and the costs of this were charged in the period.

High costs incurred in consolidating other new ventures have coincided with a lower volume of activity in certain sectors, particularly conferences and specialist book publishing, where a greater number of projects is planned to come to fruition in the second half.

Olives Paper loss cut midway

LOSSES continued at Olives Paper Mill in the first half of 1985, albeit at a lower level. On increased turnover of £4.53m, against £3.98m, the pre-tax deficit was reduced from £88,311 to £15,549.

There is no tax charge, against a £78,477 credit before, leaving stated losses per 20p share higher at 0.48p (0.31p). There is again no interim dividend—the last payment was 0.35p net in respect of 1983.

The losses experienced last year continued during the first quarter of 1985, while the effect of high-priced pulp worked through the system. However, lower pulp prices accentuated by the weakening of the dollar have brought about a much improved trend which enabled the company to make a modest profit in the second quarter.

The directors say the outlook is more promising as the company penetrates the market for specialised value-added papers. But in view of the volatility of present day foreign exchange rates and the uncertainty of the economy, they say it would be unwise to make a firm forecast for the year.

Brixton Est. £15m stock placing

Brixton Estate, the property development and investment group, is raising £15m via a placing of debenture stock which will be used to repay the bulk of the group's short-term variable-rate debt.

The issue, the third such in three years, is of first mortgage debenture stock 2025 with a redemption yield of 11.153 per cent, a margin of 0.65 per cent over the yield on 13¾ per cent Treasury Stock 2004-08.

The stock has a coupon of 10.75 per cent and the issue price is £96.456, of which 25 per cent is payable on August 23 and the balance on November 27.

Dealings are likely to begin on August 22. J. Henry Schroder Wagg are merchant bankers to the issue and the brokers are Grenfell & Colgrave and Rowe & Pitman.

COMPANY NEWS IN BRIEF

GASKELL BROADLOOM, maker of floorcoverings, raised pre-tax profits from £465,000 to £587,000 in the first half of 1985, on turnover of £8.31m, against £7.22m. After tax of £255,000 (£200,000) stated earnings per 20p share were up to 7.1p (5.6p). In a further attempt to reduce disparity, the board is raising the interim dividend to 2p (1.5p) net.

AYRSHIRE TRIM, of Daventry, Northants, announces a 43 per cent increase in turnover to £9m in the first six months of the year, while pre-tax profits rose to some £430,000 compared to the first half of 1984.

T. CLARKE has lifted turnover from £11.57m to £15.34m for the six months ended June 30 1985, and after interest of £50,000 rose from £268,000 pre-tax profits to £296,000. The interim dividend is unchanged at 0.7p and after tax of £150,000 (£135,000) earnings per share were 1.486p (1.354p). As a result of continuing trading losses and the decline in activities in the North, T. Clarke (Northern) has ceased trading in Leeds and Sheffield.

TILLEY INTERNATIONAL light engineer owned by Candlewood Holdings (Guernsey), improved turnover to £606,807 in half-year ended March 31 1985 (£569,198) and profit to £4,328 (£854) after depreciation £18,812 (£26,405), interest payable £6,294 (£13,296) and exceptional items nil (£2,880). Tax takes £1,350 (same) and preference dividend £3,150 (same).

A. & J. GELFER saw pre-tax profit increase from £1.1m to £1.15m on turnover up to £6.2m (£6.06m). This maker of men's ties and headwear is proposing to increase the final payment from 3p to 3.3p, making the total 5.2p (4.9p) for the year to March 31 1985.

JOS HOLDINGS, the investment trust, saw net asset value rise to 135.1p at July 31 1985, compared with 105.1p a year earlier. From pre-tax earnings of £329,000 (£300,000) it is proposed to pay a final dividend of 2.55p (2.2p), making the total for the year 3.55p (3.2p). With tax taking £105,000 (£96,000), earnings per share came out at 3.63p (3.32p).

DRG (NEW ZEALAND) reports profits up from NZ $812,000 to NZ $1.17m (£459,000) in the six months to June 30, 1985, after tax of $366,000 ($225,000). Turnover rose from $17.15m to $22.14m. The directors say the buoyant economic conditions experienced during the latter half of 1985 continued well into the first half of 1985.

FLEMING MERCANTILE Investment Trust increased after-tax earnings by 42 per cent to £3.1m in the six months to July 31 1985 against £2.2m for the same period last year. The interim dividend will be 1.25p (0.72p). Earnings per share were 2.12p (1.58p). At July 31 net asset value per 25p share amounted to 151p (127.9p) after deducting prior charges at par and 154.5p (131.4p) after deducting prior charges at market prices.

NINETEEN Twenty-Eight Investment Trust's net asset value stood at 192p an ordinary share at June 30 1985 compared with 186p at September 30 1984. Net profits for the half year to June 1985 totalled £772,000 (£1.2m in six months to September 1984). Earnings were 2.12p (3.29p). The interim dividend is 1.5p (2p).

FIFE INDMAR, the Fife-based engineer, reported increased turnover, up from £5.77m to £7.33m, in the first six months of 1985. Pre-tax profit was almost halved, however, at £87,000 against £173,000. The interim payment is 0.75p, which is in effect unchanged from the comparable 0.75p adjusted for a one-for-one scrip issue.

BIDS AND DEALS

BRENT CHEMICALS INTL has acquired Winnetts, whose principal activities are manufacture and marketing of printing inks and flexographic plates, for £2.9m. Of the total £2.4m was paid on completion and satisfied by a cash payment of £1m and the issue of 1,166,667 BCI shares to the vendors. The remaining £500,000 will be paid in three interest-free equal instalments on the first, second and third anniversaries of the completion.

EVODE GROUP and Dexter Corporation of the U.S. have formed a joint venture partnership to manufacturer and market powder coatings for industrial and architectural products. The venture, to be based in Birmingham, Alabama, U.S., is owned 75 per cent by Dexter and 25 per cent by Evode and will be managed as part of Dexter's midland division.

NEWMAN TONKS GROUP has acquired the business of Triflow of Redditch which has a significant presence in the plumbing and fittings market with a range of end feed and solder ring fittings. The company has a turnover of £2m and operates in a modern factory with special purpose plant. The consideration was around £600,000, the directors state. Newman intends to merge the business of Triflow and Newman's existing subsidiary, Econa Products, at Triflow's Redditch site.

REED INTERNATIONAL continued its expansion into paint and DIY interests in North America with the acquisition, through Reed Holdings Inc. of Deer-O Paints and Chemicals of Phoenix for $2.6m (£1.8m) in cash.

BASE LENDING RATES

A.B.N. Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Henry Ansbacher	11½%
Amro Bank	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid. East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons**	
Citibank NA	11½%
Citibank Savings	¶12½%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
E. T. Trust	12 %
Exeter Trust Ltd.	12 %
First Nat. Fin. Corp.	13 %
First Nat. Secs. Ltd.	13 %
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptns.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount-Credit Corp. Ltd.	11½%
National Bk. of Kuwait	11½%
National Girobank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
People's Trust	12½%
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
■ J. Henry Schroder Wagg	11½%
Standard Chartered	‖11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Williams & Glyn's	11½%
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 monthly notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-days deposits over £1,000 8.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

GOLD FIELDS GROUP

GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

PRELIMINARY ANNOUNCEMENT OF RESULTS

	Year ended 30 June 1985 Rm	Year ended 30 June 1984 Rm
Revenue		
Income from investments	210.1	162.6
Loss on realisation of investments	—	(0.6)
Income from fees, interest and other sources	84.6	65.7
	294.7	227.7
Expenditure and write off	69.4	59.9
Administration, technical and general	44.8	36.8
Interest	3.7	2.8
Drilling and prospecting	19.6	20.3
Written off	1.3	—
Profit before tax	225.3	167.8
Tax	10.3	5.6
Profit after tax	215.0	162.2
Minority shareholders' interest	0.6	0.5
Profit attributable to group	214.4	161.7
Preference dividends	13.1	—
Profit attributable to ordinary shares	201.3	161.7
Unappropriated profit, brought forward	3.9	0.9
	205.2	162.6
Less:	201.1	158.7
Dividends declared	98.1	81.7
Interim 40c (36c)	32.7	29.4
Final 80c (64c)	65.4	52.3
Transfer to reserve	103.0	77.0
Unappropriated profit, carried forward	4.1	3.9
Earnings per ordinary share—cents	246	198
Dividends per ordinary share—cents	120	100
Times ordinary dividends covered	2.0	2.0
Net assets (as valued) per ordinary share—cents	4,841	4,317

ANNUAL REPORT

The annual report will be posted to members in September 1985.

DECLARATION OF FINAL DIVIDEND

Dividend No. 75 of 80 cents per ordinary share in respect of the year ended 30 June 1985 has been declared in South African currency, payable to members registered at the close of business on 6 September 1985.

Warrants will be posted on or about 8 October 1985.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 6 September 1985 in accordance with the abovementioned conditions.

The register of members will be closed from 7 to 13 September 1985, inclusive.

By order of the Board
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs. G. M. A. Gledhill, Secretary

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London, SW1P 1PL

London Office:
49 Moorgate
London, EC2R 6BQ

20 August 1985

FT COMMERCIAL LAW REPORTS

Hague tribunal final on U.S.-Iran claim

DALLAL v BANK MELLAT
Queen's Bench Division (Commercial Court): Mr Justice Hobhouse: July 26 1985

WHERE A tribunal is set up by international treaty between two states and recognised under their municipal law as competent to hear disputes between their own nationals with regard to matters coming within the jurisdiction of their courts, its competence will also be recognised by English courts; and accordingly in the absence of special circumstances, a person who has submitted to the jurisdiction of such a tribunal cannot assert that its decision was wrong and relitigate his claim in the UK.

Mr Justice Hobhouse so held when granting an application by Bank Mellat of Iran to strike out proceedings commenced by Mr *Mark Dallal*, a U.S. citizen, in a dispute already decided by a U.S./Iran tribunal set up at the Hague.

HIS LORDSHIP said that on January 15 1979 a Mr Kamyab paid the International Bank of Iran in Tehran Riyals 29.6m.

In return the bank gave him two cheques for $200,000 each, drawn on Chase Manhattan Bank, New York, and naming the Chemical Bank account as payee.

The account belonged to Mr Dallal, a U.S. citizen living in New York. The cheques were forwarded to him and then presented to Chase Manhattan. They were dishonoured, marked "insufficient funds." On June 4 1980 Mr Dallal commenced U.S. proceedings against the Republic of Iran and the International Bank, claiming $400,000 against each.

These events took place against the background of the upheavals following the overthrow of the Shah. The impasse between the U.S. and Iran whereby the former held Iranian assets, and the latter held U.S. hostages, was broken on January 19 1981. On that date the Algerian Government issued two declarations containing international agreements between the U.S. and Iran, which had the effect of an international treaty.

They included a claims settlement agreement, by which the U.S. agreed to terminate all legal proceedings against Iran in the U.S. courts. Such disputes were to be referred to arbitration.

The *agreement set up a* tribunal whose decisions were to be final and binding. It had its seat at the Hague in the Netherlands. The Dutch Government agreed to the setting up of the tribunal within its territory.

On February 24 1981 the U.S. President promulgated a decree providing that all claims presented to the Iran/U.S. claims tribunal were suspended in the U.S. courts. The constitutional *validity of the decree was upheld* by the U.S. Supreme Court.

Mr Dallal decided to pursue his claim before the tribunal at the Hague. Bank Mellat, as successor to the International Bank, relied on various defences. It disputed that Mr Dallal had any title to the cheques and pleaded illegality of the transaction under Iranian foreign exchange regulations.

The panel of three arbitrators, *one Iranian, one American and* one as chairman from an independent country, published its award on June 10 1983.

It was a majority award with the American dissenting. The tribunal dismissed Mr Dallal's claim. It upheld his title to the cheques, but held that the claim failed on the ground that the transaction was contrary to Iranian foreign exchange law.

It reached that conclusion not *because illegality had been* proved, but because the burden of proof was on Mr Dallal, and he had failed to satisfy the tribunal that the transaction was not illegal.

Mr Dallal said the tribunal had reached a wrong decision and that he was now in a position to present further evidence and arguments which would demonstrate that he ought to succeed.

It would have been useless for him to pursue his claims in the U.S. or Iran. However, Bank Mellat had a place of business in the City of London and assets within the jurisdiction of the High Court. On July 7, 1984, Mr Dallal commenced proceedings.

The bank applied for an order that the writ be struck out on the ground, *inter alia*, that the action was frivolous, vexatious and an abuse of process, and on the ground of issue estoppel.

The remedy of striking out was procedural and always subject to the discretion of the court. Estoppel was a legal defence and ordinarily did not entitle the dependant to summary procedural remedy. However, the defence of *res judicata* had been treated differently. Thus, if there was an obviously available defence of *res judicata* then the courts were willing to strike out.

In *Henderson v Henderson (1893) 3 Hale 100, 115* Wigram V-C said that "where a given matter becomes the subject of litigation and of adjudication ... the court ... will not (except under special circumstances) permit the same parties to open the same subject to litigation ... only because they have, from negligence, inadvertence or even accident, omitted part of their case."

The first criterion for application of the *Henderson* principle was that there must have been a previous adjudication by a *court of competent jurisdiction*. The second was that there must be no special circumstances which made it unjust or inappropriate to apply the principle.

On its own terms of reference the Hague tribunal had competence to adjudicate on all relevant matters. However, if the proper law of the arbitration agreement was Dutch law, as it appeared to be, the agreement *was a nullity because it did not* comply with the Dutch code.

The bank argued that the proper law of the arbitration agreement might be public international law. But at this point the court was concerned not with agreement between states, but agreement between private law individuals. If private law rights were to exist they must do so as part of some municipal legal system, not public international law.

In origin the arbitration bore a close resemblance to a "statutory" arbitration, whereby the tribunal and its jurisdiction were defined not by choice or agreement of the parties, but by statute. *If so*, what was the statute?

The jurisdiction and authority of the tribunal was created by international treaty between the U.S. and Iran, and was within the treaty-making powers of their governments. Each of the parties was within the jurisdiction of one or other of those states, and the municipal legal systems of each state recognised the competence of the tribunal.

Accordingly, the Hague arbitration proceedings were recognised as competent not only by international agreement, but also by the municipal laws of those states. It would be surprising if the English courts felt constrained to hold that the proceedings were nevertheless incompetent.

It was a fallacy to suppose that arbitration proceedings *must take their authority from* the local municipal law of the country within which they took place. They normally did so, but there was no reason in principle why the curial law of a tribunal could not derive concurrently from more than one system of municipal law.

There had been many precedents for two states setting up arbitral tribunals within the territory of another state, to settle disputes between their respective nationals or between themselves and the nationals of others (see for example *The Laconia (1863) 2 Moore NS 161; Messina (1872) LR 4 PC 144*).

The Laconia illustrated a number of points: First, the competence of a tribunal could be looked for and found in international law and practice. Second, under international law, competence was most often, but not invariably, conferred by treaty. Third, where a tribunal was set up by a subject's own sovereign government within the territory of another state, he could not say it was incompetent. Fourth, a *person could* make a tribunal competent by voluntarily resorting to it (with the consent of his sovereign).

Mr Dallal chose to resort to the Hague tribunal, and thereby submitted to its jurisdiction. It was not now open to him to say it was incompetent.

Where two sovereign states had chosen to set up a tribunal to determine disputes between the nationals of their respective states in respect of choses in action for which the *situs* lay within the jurisdiction of those two states, there could be no warrant for English courts to fail to recognise and to treat as *fully competent* the decisions of that tribunal.

The Hague tribunal was competent in respect of the present parties and present matters.

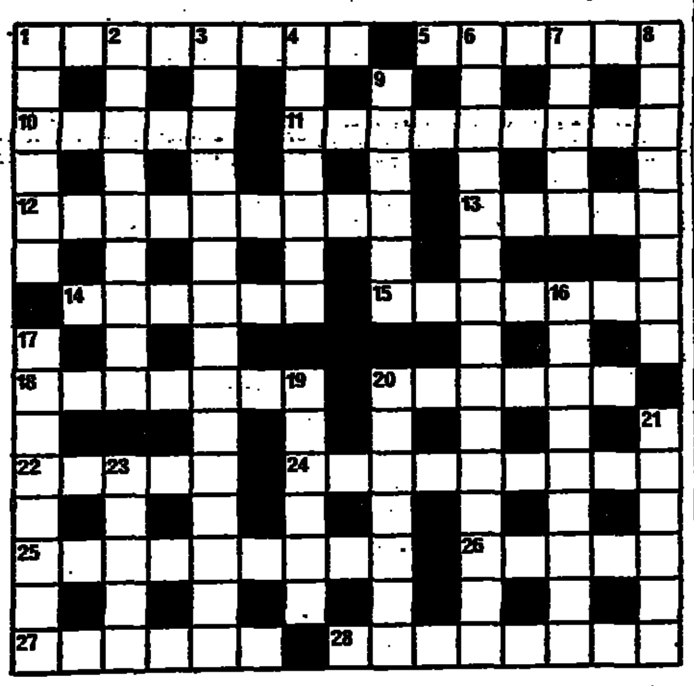
There were no special circumstances which made it appropriate to exclude the *Henderson* principle. Mr Dallal's criticisms did not even go so far as to allege breach of natural justice. Maybe as the arbitration proceeded and after the award was published *he thought of better* ways in which to formulate and present his claim, but that was beside the point.

It was precisely the type of situation for which the *Henderson principle* existed.

It followed that the proceedings were an abuse of the process of the court. The writ and statement of claim should be struck out.

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,801



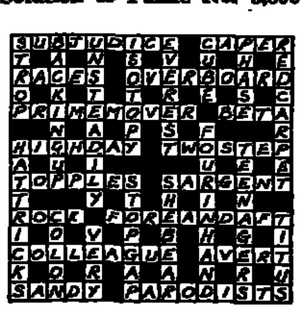
ACROSS

1 We take back bleeding heart, for example — it is horrific in films (8)
5 Stiffness of old hard court not using amber? (6)
10 Irons, so arranged could assist bowing (5)
11 Accountant with capital advanced something to put on a horse (9)
12 Speech sure to change at modern dance-centre (9)
13 Record some cannot finish, although it is a classic track (5)
14 Manipulate broken leg following faint (6)
15 These islands enticed, say the sailors (7)
18 By the left, perhaps — all tear off (7)
20 Fathead drunk is thwarted (6)
22 British leader in storm—in this side of Upper House (5)
24 Albert is upset by hospital, the simple fellow! (9)
25 In it people queue, we hear, to make cannon-shots (9)
26 Brave to ring a wise man? (5)
27 Drive finds tricky green — Turnberry's last (6)
28 Cloakroom in which change includes knotting ties (8)

DOWN

1 Striking subjects of H. G. Wells? (6)
2 Tough and, at crease, not easily ruffled (9)
3 Light horticulture? (6-9)
4 Could be cruel quarter of lake (7)
6 Booked accounts of *J. Harris, George & Barker*, say (5,3,2,1,4)
7 Breaks periods of tranquillity (5)
8 Abigail, we hear, has not *come from the factory* (8)
9 It is heard in the Lords or at Lord's (6)
16 States things in a cinerama production (9)
17 *Proper English, capable of* being read (8)
19 University learning to admit all Hindus initially? (6)
20 Divine warning from drivers — look! (7)
21 Inflexibly severe, like a West Indian band? (6)
23 Such a pretty girl has appeal, you might say (5)

Solution to Puzzle No. 5,800



APPOINTMENTS

NatWest international posts

Mr Don F. Goodman has been appointed senior executive (subsidiaries and affiliates) of *NATIONAL WESTMINSTER* BANK'S international banking division. He was financial controller in the division, where he is succeeded by **Mr Keith J. Shackell**, previously a section head within NatWest's corporate financial services region in the division.

★

The RELIANCE MUTUAL INSURANCE SOCIETY has appointed **Mr Stephen Nuttall** as assistant actuary. He was superintendent of its actuarial department.

★

Mr Michael J. O'Neill is to assume responsibility for day-to-day management of the BIRMINGHAM AND BRIDGWATER BUILDING SOCIETY following the resignation of **Mr Richard E. Lacy** from the position of chief general manager and from the board. Mr Lacy is leaving to take another appointment outside the building society movement.

★

At TEESLAND INVESTMENT CO, following the death of its chairman, **Mr Martin L. Cohen**, **Mr Ray Guy-Johson** has been appointed chief executive and *Mr Graham E. Good becomes* a director. Mr Guy-Johson has also been appointed chief executive of Teesland Development Co, a wholly-owned subsidiary.

★

BENN BROTHERS has created a divisional marketing department and appointed as marketing development manager **Mr Mark Simpson**, recently of Business Press International where he was publisher of "Crops Weekly" and a board director of Agricultural and Construction Press.

★

HOLCOMBE HOLDINGS has appointed **Mr Robert Simpson** as managing director. He was with the Adwest Group. Holcombe Holdings is a subsidiary of Central & Sheerwood.

★

Mr Stephen Lister has been appointed company secretary of the Elland fire extinguisher group, NU-SWIFT INDUSTRIES and its UK subsidiaries, and also as financial controller of the main UK operating company. He was a manager with Price Waterhouse, Leeds.

★

Mr Bill Gaimster has been elected chairman of the UNITED KINGDOM PROVISION TRADE FEDERATION.

★

Mr P. J. R. Masters has been appointed to the board of HDA FORGINGS, a *Hawker Siddeley* company, as director and general manager of the blade forge division.

★

Mr F. G. Westbrook has been appointed a director of TRAFFORD PARK ESTATES.

★

Mr Julius F. W. Baller has been appointed a director of EDMUND NUTTALL HOLDINGS and Edmund Nuttall Limited. **Mr David D. Land**, who has held the twin offices of chairman and managing director in the two companies since 1978 and 1977 respectively, will hand over the duties of managing *director of both companies* to Mr Baller on September 2.

★

Following reorganisation of board responsibilities at Industrial Finance and Investment Corporation (IFICO) **Mr Christopher Norland** has been appointed chief executive and deputy chairman, and **Mr Graham Harrison** and **Mr Michael Whiddett** have been appointed joint managing directors. *Mr Roger F. Looker* has been appointed a director of IFICO with responsibility for development of corporate finance activities. Mr Looker, a barrister, joins IFICO from *County* Bank where *he* established the Bank's North American corporate finance business and for the past three years ran the New York office.

★

Mr Timothy Garland has been appointed managing director of DIRECT WINE SUPPLIERS. He succeeds **Mr Henry Mason**, who with **Mr Jose Ferrer**, president of Freixenet S.A., founded *Direct Wine Suppliers* 12 years ago. Mr Mason continues as chairman.

★

TOUCHE REMNANT has appointed **Mr John Gittings**, as a *director, and as managing director* of its unit trust operations. Mr Gittings was with the Target Group.

★

THE RACING POST has appointed **Mr Jeremy Thompson** as managing director and chief executive. He is currently operations director of Mirror Group Newspapers. Also joining the board are **Mr Brough Scott** and **Mr Peter O'Sullevan**, from racing television and journalism, Air Commodore "Brookie" Brooks, formerly chairman of The Racecourse Association and director of Racecourse Security Services, The Racing Information Bureau and the National *Association* of Racecourse Betting Licensees, and **Mr Nick Clarke**, managing director of the International Racing Bureau. The Racing Post will be launched in 1986.

★

THE FRIENDLY SOCIETIES LIAISON COMMITTEE has re-elected **Mr P. M. Madders**, (hon. secretary, National Conference of Friendly Societies) as chairman. **Mr J. F. Lambeth**, (secretary of the Association of Collecting Friendly Societies) was re-elected secretary.

★

BEACON PUBLICATIONS has appointed **Mr H. E. Michael** *Barnes as non-executive chairman*. Mr Barnes is now a non-executive director or consultant to more than 20 companies including Cochrane and Johnson, Cranks Cochrane & Johnson, Ian McCall (Holdings). The two co-founders of the company have also re-defined their roles. Mr A. L. Stewart has been appointed managing director and Mr R. J. Thomas is now responsible for research and development.

★

Mr S. M. W. Bishop, Sir Bernard de Hoghton, Mr C. J. M. Hartley, Mr V. J. M. Hill, Mr J. E. Mernagh, Mr S. J. Pull, Mr D. H. Roden, Mr S. J. R. Rumsey, Mr I. R. Watts and **Mr C. J. Wells** have joined the partnership of DE ZOETE AND BEVAN, stockbrokers.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	62.6	66.6	+0.4	3.43
Accum Units	92.6	98.5	+0.6	3.43
Pearl Inc.	88.4	94.0	+0.7	5.05
Pearl Unit Tst	2.4	98.3	+0.7	4.15
(Accum. Units)	156.2	166.2	+1.1	4.15

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	179.9	193.1	+1.2	1.92
Income	138.5	148.3	+1.3	5.95
Worldwide Recovery	102.2	109.7	+0.7	2.15
American Growth	55.7	59.8	+0.1	0.71
Intl. Emerging Cos.	57.9	62.2	+0.3	0.78
Far East Growth Fd.	46.4	49.8	+0.1	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	100.6	107.8	-0.3	0.29
Prolific Extra Inc.	61.3	65.4	+0.3	6.27
Prolific Gilt Cap.	92.3	95.5		3.21
Prolific High Inc.	128.7	137.2	+0.5	5.43
Prolific Intl.	81.3	87.1	+0.1	1.71
Prolific N. Amer.	114.1	122.2	-0.4	2.46
Prolific Spec. Sits.	139.3	148.5	+0.8	1.53
Prolific Technology	98.7	105.7	-0.3	0.99

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.1	51.9	+0.1	—
Worldwide	47.3	50.1	+0.1	7.82
European Trust	49.9	52.9	—	2.19
North American	47.4	50.2	+0.1	2.07
UK Equity	49.5	52.4	+0.2	4.03

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.40	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.71	8.75	12.98	6mth
7-day Fnd	11.52	8.61	12.78	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.65	8.73	12.83	6-Mth
7-day Fund	11.37	8.50	12.51	6-Mth
Dollar	6.75		—	6-Mth
Money Mngt. Acc.	11.25	8.41	12.56	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int. Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	11.375	8.50	12.70	Qtr
Mth. Int. Chq.	11.25	8.41	12.48	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.32	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.13	8.32	12.34	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.23	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	9.00	13.30	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.42	Qtr
£2,500 +	12.00	8.97	13.26	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1N 9AG 01-631 3313				
Cheque Deposit Acc.	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.0	8.22	12.18	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
High Int Cheque	11.25	8.25	—	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.125	8.33	12.35	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq Acc.	10.70	8.00	11.92	Qtr
Provincial Trust (formerly Chamberlains) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.70	8.00	11.89	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc.	11.29	8.44	12.61	Qtr
Money Acc.	11.37	8.50	12.70	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.04	8.25	12.48	Mth
Over £10,000	11.29	8.44	12.75	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc.	11.56	8.64	12.34	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Marks & Spencer	11
BAT	32	Midland Bk	30
BOC Grp	25	NEI	8
BSR	16	Nat West Bk	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect.	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	20
Brown (J.)	3	Tesco	20
Burton Ord	39	Thorn EMI	35
Cadburys	14	Trust Houses	13
Charter Cons.	18	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
FNFC	8½	Cap Counties	18
Gen Accident	45	Land Secs.	25
Gen Electric	17	MEPC	28
Glaxo	85	Peachey	22
Grand Met.	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brit. Oil & Min.	4
GKN	17	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd	38	Charterhall	6
ICI	60	Premier	5
'Imps'	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	50	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

U.S. farm problems could hit economy, report says

BY NANCY DUNNE IN WASHINGTON

THE TRIALS of the U.S. farm sector with its massive debt, huge production and sliding exports have grave implications for the rest of the American economy, according to two studies by the respected Wharton Econometric Forecasting Associates.

Evidence of serious financial strain on the farm belt continues to accumulate, say the Wharton economists, with the increase in inability to meet interest payments, rural bank failures and deteriorating farm balance sheets. Farmers experiencing stress, with debt-to-asset ratios of 40 per cent and over, hold about $140bn of the $210.8bn total U.S. farm debt.

"Although agricultural debt is dispersed among many creditors, the impact of large and widespread loan losses on commercial banks and the farm credit system would be sufficient to affect national financial markets," Wharton says.

The studies, written even before it was clear that the U.S. would have another record-breaking harvest, estimated that loan loses could be contained at about $10bn — if the conditions current then prevailed. However prices are still falling, and the Reagan administration is pressing for a new farm bill which would phase out commodity price supports.

An end to price supports could lift loan losses to $20bn to $25bn, says Wharton, and this would cause severe repercussions on the economy. Short term interest rates would rise by 75-125 points, job losses could total 275,000 by 1989 and the gross national product would lose between $30bn and $50bn over the next eight years. By 1993 the federal debt will be $13.7bn to $21.5bn larger.

The surplus capacity in U.S. agriculture makes it unlikely that net farm income can be increased without high government costs. In fact, even the most generous proposals being considered by Congress would not raise average farm income above current levels, and if government support programmes are removed, net farm income would probably drop 40 per cent over the next three years.

Many dire consequences could be avoided, if pre-emptive actions were taken to alleviate the existing farm credit crisis, says Wharton.

"The existing financial situation in agriculture calls for measures to address the problem on a comprehensive rather than a piece meal basis," the report says. The approach must insure that farmer income is not sharply curtailed so that farmers are unable to service their debt obligations.

The administration must also move quickly to support the troubled farm credit institutions and provide special assistance to the farm credit market, such as interest rate subsidies, relaxation of limits on asset holdings by lenders and increase access by federal funds.

Wharton also endorses a suggestion put forward by the Farm Credit Administration for creating a federal entity to hold land used to secure defaulted loans for later sale, a move designed to half plummeting land values.

Uganda resumes coffee exports

UGANDA has resumed exports of coffee, its main foreign exchange earner, which were disrupted by last month's coup, reports Reuter in Kampala.

A convoy of 50 trucks loaded with coffee was said to have left for the Kenyan port of Mombasa at the weekend to meet a threatened 24,000-tonne shortfall in its export quota assigned by the International Coffee Organisation.

● FALCONBRIDGE nickel, cobalt and copper mining operations in Sudbury, Ontario, face a strike today because a tentative contract settlement reached last week omitted a key cost-of-living clause, a union official said.

The Sudbury operations produced 71m pounds of nickel, 70.8m pounds of copper and 1.8m pounds of cobalt last year.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,760-2,800.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.20-4.40.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.75-0.80, sticks, 0.83-0.88.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.37-11.50.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 288-295.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.20-3.25.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 7.10-7.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO, cif, 65-71.

VANADIUM: European Free market, min. 98 per cent V 0, other sources, $ per lb V 0, cif, 2.15-2.25.

URANIUM: Nuexco exchange value, $ per lb U 0, 15.75.

China in bid to boost gold output

BY ROBERT THOMSON IN PEKING

CHINA has embarked on a drive to boost gold production, and has indicated that more foreign mining equipment technology will be introduced to supplement other reforms, such as increasing the local price of gold to dissuade producers from smuggling finds out of the country.

Mr Zhou Chuandian, the vice-minister of the metallurgy ministry, has said that 139 mines will be opened or expanded during the seventh five-year plan, beginning next year, and that China will increase technical co-operation with the U.S., Canada and The Netherlands to improve its production potential.

The Chinese news agency, Xinhua, yesterday reported Mr Zhou as saying the state-run China Gold Company and the Bank of China are drawing up strict regulations on gold marketing. He also indicated that talks are under way on Chinese participation in joint venture gold mines in Guinea and Papua New Guinea.

Huang Yuheng, manager of the China Gold Company, said a state loan fund of 160m yuan ($55m) has been established to provide loans for mine development. In the past, only 60m yuan had been provided annually for loans.

As part of the production drive, the government has allowed individuals and collectives to work on disused state-run mines, and has recently increased the gold purchasing price from 696.64 yuan to 895.70 yuan ($308.90) a troy ounce in a bid to stop smuggling.

● A Canadian mining consortium has signed a $30m management agreement for the rehabilitation of Ghana's state-owned gold mines, writes Kenneth Marston, Mining Editor.

The News Agency of Ghana reports that a Canada-Ghana mining group has been set up to reorganise and take full management control of the Tarkwa and Prestea gold mines and the Dunkwa gold dredging operation.

The World Bank and the International Development Agency are providing the funds via a soft loan repayable over 50 years with a 10 year grace period.

When eating frogs' legs seems in poor taste

BY KIERAN COOKE IN JAKARTA

WHEN was the last time you had a bite of "rana tigerina"? Or perhaps you prefer "rana hexadactyla"? Or feel a little squeamish about attacking a chunk of "rana limnocharis"? All are frogs and this year it is estimated that the world will consume more than 200m of them — or rather, give or take a limb or two, 400m frogs' legs. For some years, several countries have been labouring to fulfil a seemingly never-ending appetite for frogs' legs, particularly in Europe. Even in Britain, bastion of conservative eating habits, the day of "frogs' legs and chips" may not be too far off.

Exactly what has caused this explosion in the frog trade is far from clear. But India, Indonesia and Bangladesh have seen a market and quickly cashed in on it — India exports the legs of about 70m frogs each year. According to official figures, Indonesia exported nearly 3,500 tons of frogs' legs in 1983, worth U.S. $8.7m, Bangladesh is believed to have exported an equivalent amount.

In Indonesia, the trade is relatively unsophisticated. Catching the frogs is mostly carried out by rice farmers, armed with lamps and scoops, who go out into the rice padi or to marshes or ponds at sunset when the croaking of mating calls can be heard.

Frogs are taken in bamboo baskets to a collection point where they are unceremoniously parted with their legs, often while still alive. The legs are then taken to the factory to be sorted, cleaned and frozen, ready for export. The rest of the frog is usually thrown away. The current export price for frogs' legs is about U.S.$3 per kilo.

Not all frogs are edible and it seems the afficianado chooses his legs carefully. Most Europeans prefer the smaller type of padi or rock frog while the U.S. and the domestic Indonesian market prefer the giant "rana macrodon" species, known locally as "bobok," which can weigh up to a kilogramme and has legs like a small chicken.

Indonesia's main export market is the Netherlands, followed by France, Belgium, Hong Kong and Singapore. President Suharto recently urged an expansion of the frog's legs industry so that it could make its full contribution to the promotion of non-oil and natural gas exports.

But it is a business fraught with problems. Over-zealous hunting of frogs by farmers anxious to supplement their income has led to a frog shortage. Last year, this resulted in a decline in exports to just over 2,000 tonnes, worth U.S.$4m. The frog trade has also had serious environmental consequences.

Frogs play an important role in the ecological system. They eat mosquitoes and other pests that either spread malaria or attack crops. In recent years, farmers have found that they have had to use increasing amounts of pesticides, including DDT, to control the insect population.

In some areas, the spread of a plant disease known locally as "wereng" has been attributed to increased hunting of frogs. Environmental groups both within and outside Indonesia have called for a ban on frog exports The World Wildlife Fund says the trade could not only result in ecological disaster in several Asian countries, but is also extremely barbaric. In West Germany, the Fund has mounted a campaign with the slogan "lasst den Froscen ihre schenkel" or "let the frogs keep their legs."

"He told me he was worth $3 a kilo in Europe and I never saw him again"

There have also been suspicions about the safety of eating frogs legs. Increased use of pesticides in Asian countries could result in frog flesh becoming impregnated with chemicals. The U.S. has rejected several shipments of Indonesian frogs' legs on health grounds, saying that evidence of salmonella bacteria was found in some of the flesh. Frog breeding at special farms has proved expensive and not very successful, especially for the smaller type of frog favoured in Europe.

In Indonesia, there is an intriguing religious aspect to the frog business. Some Moslems say that according to Islamis teaching, frogs are "haram" or unclean, and not to be eaten. The question was recently debated by a group of Islamic scholars. Their solution — in a country with the world's biggest Moslem population — was somewhat ambivalent. Moslems, they said, could breed frogs but could not eat them. The frogs themselves are probably hoping that before too long the rest of the world will stop eating them as well.

Australia concedes little to farmers

By Michael Thompson-Noel in Canberra

IN ITS budget yesterday, Australia's Labor Government announced some minor concessions for farming, but did not come close to meeting farmers' demands for major cost-cutting initiatives.

The budget included a full rebate of diesel fuel excise for farmers, and replacement of tariffs on imported harvesters with a bounty. The cost in a full year of these two measures: about A$50m (U.S.$35m).

The moves will in no way console farm leaders, who recently organised major marches to protest at rising farm costs and what they see as Canberra's ignorance of farming needs.

Cocoa surplus forecast to drop in next year

BY ANDREW GOWERS

THE world cocoa surplus may well drop in the next marketing year as a result of increasing consumption and stagnant output, according to leading London trader Gill & Duffus.

In its latest market report, published yesterday, the company says crop prospects in the cocoa year beginning next month are beginning to look decidely mixed.

"Strong early setting has given way to indifferent development... It is still far too early to attach much confidence to forecasts for the new crops, but few observers would expect to see a world total very much in excess of the probable 1984-85 out turn," it says.

"For the moment, therefore, it seems probable that 1985-86 will yield a surplus, but not one comparable with that of the current season."

Worries about the possible effects of pod rot disease in Brazil have recently provided underlying support to the London future market. Gill & Duffus says there is "genuine cause for concern" over both Brazil and Nigeria, where widespread outbreaks of the disease are likely to have a big impact on the crop.

Yesterday's report also delivered a profoundly sceptical view on the chances for a new International Cocoa Agreement to replace the present pact which expires next year — particularly in view of the Soviet Union's hard line during consultations a few weeks ago.

LONDON MARKETS

GOLD and platinum both reversed their previous strong upward trend in London yesterday as the market reacted to the renewed strength of the dollar and traders took profits.

Gold dropped $4 on the day to close at $334.75 per ounce, while platinum, which overtook gold briefly on Monday, fell by the same amount to finish at $328 per ounce.

Traders said, however, that both metals appeared to be within a new higher trading range against a background of concern over unrest in South Africa. Yesterday's setback was not seen as a fundamental reversal.

Other markets were basically quiet, dominated in the main by currency movements.

LME prices supplied by Amalgamated Metal Trading

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Aug 20 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt.	$1050/070		$1046/975
Copper			
Cash h Grade	£1005	+5.5	£1058
3 mths	£1031.75	+5.5	£1081.25
Gold Troy oz	$334.75	—4	$322
Lead Cash	£296	+6.5	£282.5
3 mths	£298.75	+4.25	£290.5
Nickel			
Free Mkt.	222/242c		227/257c
Palladium oz	$105.00	—3.5	$94.75
Platinum oz	$328.00	—4	$273.25
Quicksilver†	$290/300		$285/295
Silver troy oz	447.15p	—9.85	434.75p
3 months	459.45p	—9.15	447.10p
Tin cash	£9102.5	+15	£9067.5
3 months	£9067.5	+17	£9051
Tungsten	$72.02	+0.17	$67.49
Wolfram 22.0lb	$65/70		$62/66
Zinc	£534	+8	£557
3 months	£538.5	+10	£535.5
Producers	$830		$850

OILS	Aug. 20 1985	+ or —	Month ago
Coconut (Phil)	$450x	—80	$535
Palm Malayan	$415y	+5	$470
SEEDS			
Copra Phil	$310x		$340
Soyabean (U.S.)	$212.75w	—1.75	$230.5
GRAINS			
Barley Fut. Nov.	£103.30	+0.85	£101.25
Maize	£135.48		£141.08
Wheat Fut. Nov.	£102.65	+0.85	£101.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1717.5	+10.5	£1694.5
Coffee Ft. Nov.	£1717.5	+16.5	£1487.5
Cotton A Index	56.60c	—0.1	60.35c
Gas Oil Oct.	$258	—0.25	$219.75
Rubber (kilo)	62p		64p
Sugar (raw)	$116x	—4	$102
Wooltops 64s	487p kilo		438pkl

‡ Unquoted. x Aug-Sept. w Sept. y Oct. † Per 76 lb flask. c Cents per pound.

ALUMINIUM

Official closing (am): Cash 729.5-30 (728.5-9.5), three months 752.5-3 (751.5-2), settlement 730 (729.5). Final Kerb close: 757-8. Turnover: 13,725 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	733-4	+3.5	—
3 months	756-.5	+3.5	758/752

COPPER

Higher grade	Unofficial close	+ or —	High/low
Cash	1004.5-5.5	+5.5	1002/1001.5
3 months	1031.5-2	+5.5	1033/1024

Official closing (am): Cash 1,001-2 (1,012-5), three months 1,028.5 (1,038-.5), settlement 1,002 (1,012.5). Final Kerb Close: 1,028.5-9.

Cathodes			
Cash	974-6	—8	988
3 months	1005-7	—1	—

Official closing (am): Cash 969-70 (987-90), three months 1,000-3 (1,015-7), settlement 970 (990). Turnover: 20,575 tonnes. U.S. Producer prices 66-69.5 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	297.5-8.5	+6.5	298.75/288
3 months	298.5-9	+4.25	301/294

Official closing (am): Cash 299.5-.75 (291-.25), three months 298-.5 (294-5), settlement 299.75 (291.25). Final Kerb: Close: 299-300. Turnover: 5,600 tonnes. U.S. Spot: 19 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	3480-90	+27.5	3470
3 months	3540-5	+25	3565/3525

Official closing (am): Cash 3,470-5 (3,455-60), three months 3,430-5 (3,528-30), settlement 3,475 (3,460). Final Kerb Close: 3,540-45. Turnover: 690 tonnes.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	533-5	+8	—
3 months	538-9	+10	540/532

Official closing (am): Cash 529-31 (526-7), three months 533-4 (527-8), settlement 531 (527). Final Kerb Close: 537-8. Turnover: 7,950 tonnes. U.S. Prime Western: 41-41.75 cents per pound.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9100-10	+17.5	—
3 months	9068-70	+16	—

Official closing (am): Cash 9,090-5 (9,090-5), three months 9,057-60 (9,065-60), settlement 9,095 (9,095).

Standard			
Cash	9100-5	+15	—
3 months	9065-70	+17	9070/9055

Official closing (am): Cash 9,080-5 (9,088-90), three months 9,055-8 (9,051-2), settlement 9,095 (9,090). Final Kerb Close: 9,080-65. Turnover: 1,995 tonnes. Straits tin $m 30.90 (30.91) kilo.

GOLD

Gold fell $4 an ounce from Monday's close in the London bullion market yesterday to finish at $334½-335. The metal opened at $335½-336 and traded between a high of $336-336½ and a low of $333¼-333¾. Gold's recent firmer trend was halted as the dollar recovered on better than expected U.S. GNP figures. However the metal remained underpinned by fears of disruption to supplies because of unrest in South Africa.

GOLD BULLION (fine ounce) Aug. 20

Close	$334¼-335	(£240¼-240¾)
Opening	$335½-336	(£239½-240)
M'n'g fix	$335.50	(£239.900)
Aft'n'n fix	$334.15	(£240.916)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$338¼-346¾	(£243¼-243½)
½ Krug.	$176-177¼	(£126½-127½)
¼ Krug.	$89½-90½	(£64¼-65)
1/10 Krug.	$36¼-37	(£26-26½)
Mapleleaf	$345-345½	(£248-248½)
New Sov.	$79¼-79¾	(£57-57¼)
½ New Sov	$48-48¾	(£34½-35)
Old Sov.	$80½-82	(£57¾-59)
$20 Eagle	$480-520	(£345-373¼)
NoPlatble	$333¾-338	(£240½-244)

SILVER

Silver was fixed 9.05p an ounce lower for spot delivery in the London bullion market yesterday at 447.15p. U.S. cent equivalents of the fixing levels were: spot 626c, down 12.7c; three-month 638.1c, down 13c; six-month 650.5c, down 13.6c; and 12-month 679.5c, down 13.85c. The metal opened at 447-450p (626-629c) and closed at 450-453p (626-629c).

SILVER per troy	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	447.15p	—9.05	449.5p	—8.5
3 months	459.45p	—9.15	462.25p	—8.7
6 months	470.75p	—9.45	—	—5
12 months	494.50p	—9.75	—	—

LME — Turnover: 125 (58) lots of 10,000 oz.

Three months high 462, low 460, final kerb 461.5-3.5.

FREIGHT FUTURES

The market eased throughout the morning with October and January coming under pressure. Rumours of higher fixtures on major grain routes led to a rally which erased the early losses and final quotations were at the day's highs, reports Clarkson Wolff. The Baltic Freight Index was 729.5, up 4.

	Close	High/Low	Prev
Oct.	832/834	834/820	825/827
Jan.	892.5/895	894/890	895/896
April	936/940	940/931	937/940
July	820/880	—	860/885
Oct.	935/990	—	925/980
Jan.	930/990	—	935/985
April	1010/1040	—	1010/1048
July	925/1000	—	930/975

Turnover: 70 (47).

GRAINS

Wheat attracted keen country buying to trade about 50p up for most of the day with nearbys again sparsely offered. Light profit-taking trimmed the gains but the market remained fully steady. Barley found shipper buying and closed on a steady note, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept...	100.10	+1.00	99.90	+0.70
Nov...	102.65	+0.85	103.30	+0.85
Jan...	106.30	+0.55	106.85	+0.80
Mar...	109.55	+0.55	109.75	+0.55
May...	113.05	+0.55	112.45	+0.45
July...	116.30	+0.45	—	—

Business done—Wheat: Sept 100.25-99.50, Nov 102.75-2.50, Jan 106.55-6.10, March 109.70-9.35, May 113.10-2.90, July 115.30 only. Sales: 345 lots of 100 tonnes. Barley: Sept 100.00-99.40, Nov 103.40-2.90, Jan 106.85-6.50, March 109.80-9.50, May 112.45 only. Sales: 308 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 15 per cent: Sept 119, Oct 120.35, Nov 122.40, Dec 124.05, sellers, transhipment East Coast. U.S. No. 2 Soft Red Winter: Sept 105.75, Oct 109.25, Nov 111.25, Dec 112.50, sellers. EEC Spot 116.50. English feed, fob: 2nd-half Sept 100, Oct 103, Oct/Dec 104.50, Jan/March 110, April/June 115.50, buyers. Maize: U.S. No. 3 Yellow/French, transhipment East Coast: Aug 133.50, Oct/Dec 130.00, sellers. Barley: English feed, fob: Sept 101.50 East Coast: Oct/Dec 106.50 English paids, Jan/March 111, seller. Rest unquoted.

RUBBER

The London physical market opened unchanged, attracted little interest throughout the day and closed quiet and slightly easier, reports Lewis and Peat. Closing prices (buyers): spot 62.00p (same); Sept 58.25p (58.00p); Oct 58.25p (58.00p). The Kuala Lumpur fob price for Rss No. 1 was 285.00 (185.25) cents a kg and for SMR 20 was 152.0 (152.5).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 20 tonnes. Minor contracts were under review, mostly in West African growths.

INDICES

FINANCIAL TIMES

Aug. 19	Aug. 16	M'th ago	Year ago
251.04	252.87	265.12	268.57

(Base: July 1 1952 = 100)

REUTERS

Aug. 20	Aug. 19	M'th ago	Year ago
1679.3	1688.2	1677.5	1855.4

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Aug. 19	Aug. 16	Month ago	Year ago
Spot	115.28	115.85	—	131.53
Fut.	114.59	115.63	—	129.84

(Base: December 31 1974 = 100)

COCOA

Volume of trade was again light but prices advanced on early trade buying and these levels were sustained through to the close. At the highs there was some scale-up producer selling, but interest was muted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1710-1712	+11.5	1718-1705
Dec.	1717-1718	+10.5	1725-1710
Mar.	1729-1730	+7.0	1735-1726
May	1742-1743	+7.0	1748-1740
July	1753-1754	+2.5	1759-1755
Sept.	1768-1770	+3.5	1775
Dec.	1765-1775	+2.5	—

Sales: 1,856 (1,609) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for August 20: 103.55 (103.88); five-day average for August 21: 103.53 (103.26).

COFFEE

Prices firmed initially, but quickly returned to the dull pattern that has been seen of late, reports Drexel Burnham Lambert. In the afternoon the market rose in sympathy with a steadier New York market and on late short-covering.

COFFEE	Yesterday's Close	+ or —	Business Done
Sept.	1678-78	+14.5	1680-60
Nov.	1717-18	+16.5	1719-99
Jan.	1744-45	+12.0	1747-31
March	1759-60	+6.0	1765-50
May	1769-72	+3.0	1775-60
July	1776-90	—4.5	1794
Sept.	1781-15	—12.0	—

Sales: 1,824 (4,542) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for August 19: Comp daily 1979 121.58 (121.11); 15-day average 119.01 (118.88).

SUGAR

LONDON DAILY PRICE—Raw sugar $116.00 (£88.00), down $4.00 (down £3.00) a tonne for August-September delivery. White sugar $159.00, down 50c.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct	118.8-118.8	117.4-117.8	118.8-115.8
Dec	121.0-122.8	119.2-119.8	121.8-119.6
Mar	130.4-130.6	128.8-129.2	131.8-127.8
May	134.2-134.4	133.0-133.4	133.8-132.2
Aug	138.2-139.4	137.8-137.4	—
Oct	143.2-144.8	141.8-142.8	—

Sales: 2,082 (1,879) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £189.00 (£190.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for August 19: Daily price 4.18 (4.21); 15-day average 4.38 (4.37).

SOYABEAN MEAL

The market opened 50p easier in dull trade, reports T. G. Roddick. Prices steadied on weaker sterling and commission house buying.

	Yesterday close	+ or —	Business Done
	£ per tonne		
October	111.8-112.0	—	112.0-111.1
Dec.	115.0-115.5	—0.25	115.0- —
Feb.	118.5-120.0	—0.35	—
Apr.	120.2-121.0	—0.65	121.0-120.0
June	121.8-121.5	—1.00	121.5-121.1
August	122.8-124.5	—1.25	—

Sales: 376 (200) lots of 20 tonnes.

OIL

Trade in spot crude continued thin. Firm prices brought out sellers, including refiners, for most North Sea crudes. North and West African grades were offered at high prices. Buying interest was minimal. In the petroleum products market naphtha softened as surplus cargoes chased elusive buyers. Gas oil weakened on reports of increased Soviet supply by August 31 —Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)— Sept.		
Arab Light	27.45-27.55	+0.10
Arab Heavy	25.20-25.30	—
Dubai	26.15-26.28	—
Brent Blend	27.25-27.35	—0.05
W.T.I. (1pm est)	27.90-28.05	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	265-267	—
Gas Oil	235.5-237	—1-25
Heavy fuel oil	143-146	+1.5
Naphtha	245-247	—1

* October.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Sep	234.25	+0.25	234.50-32.00
Oct	232.00	—0.25	232.00-29.50
Nov	231.50	—0.50	231.75-29.50
Dec	231.50	—0.75	231.50-30.00
Jan	230.25	—0.50	230.25-28.75
Feb	227.00	—1.00	227.00- —

Turnover: 2,118 (790) lots of 100 tonnes.

POTATOES

The market was nervous following the recent strong and rapid rises, with profit-taking selling interest keen above £87.00 on April. By the close buying momentum had begun to wane and the market closed only slightly changed from the previous day, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
Nov.	62.80	63.00	64.00-62.50
Feb.	72.00	75.00	74.00
Apr.	86.60	86.20	88.00-86.00
May	92.40	91.50	94.50-91.50

Sales: 1,013 (1,590) lots of 40 tonnes.

PIGMEAT

Buying interest centred on November in anticipation of higher autumn physicals. Distant positions were neglected, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Oct.	110.60	110.40	110.8
Nov.	111.60	111.10	111.8-111.1
Feb.	100.50	100.90	100.5-100.5
April	101.00	101.00	101.0
June	101.00	100.80	—
Aug.	100.20	100.20	—

Sales: 42 (22) lots of 50 carcases, 3,250 kg.

U.S. MARKETS

PRECIOUS METALS recovered from early lows to close modestly lower reflecting continued nervousness over the South African situation, reports Heinold Commodities. Copper and aluminium were generally featureless reflecting a lack of investor interest due to sluggish economic growth. Sugar was lightly supported on better user interest which encouraged light speculative buying. Coffee traded in a tight range awaiting the opening of Brazilian export registrations. Cocoa continued to await better indications of crop progress. Cotton firmed on the reluctance of traders to be short into the harvest when the market would be susceptible to weather induced rallies. Tightness in the spot market and nearby deliveries was still the most important supporting force for heating oil. Expectations of a constructive API report attracted fresh buying forcing large-scale short-covering. Grains came under steady pressure with wheat under heavy selling pressure on the close as technically oriented systems triggered long liquidation. Soyabeans were narrowly mixed with oil providing support on breaks.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	44.95	—	—	44.95
Sept	45.10	45.15	45.05	45.15
Oct	45.45	—	—	45.50
Dec	46.15	46.25	46.05	46.20
Jan	46.50	—	—	46.55
March	47.25	—	—	47.25
May	47.95	—	—	47.95
July	48.65	—	—	48.65
Sept	49.35	—	—	49.35
Jan	50.75	—	—	50.75

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	2094	2096	2075	2086
Dec	2174	2177	2155	2166
March	2212	2215	2198	2208
May	2236	2230	2222	2233
July	2258	—	—	2256
Sept	2270	—	—	2268
Dec	2293	—	—	2291

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Sept	136.30	136.50	135.50	136.05
Dec	139.84	140.10	138.99	139.55
March	141.00	141.25	140.25	140.49
May	141.00	141.25	141.00	140.86
July	141.28	—	—	141.13
Sept	141.40	—	—	141.40
Dec	141.50	—	—	140.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	59.65	—	—	59.75
Sept	59.70	59.80	59.35	59.90
Oct	60.15	—	—	60.30
Dec	61.00	61.10	60.65	61.15
Jan	61.30	—	—	61.45
March	61.95	62.05	61.75	62.10
May	62.45	62.30	62.20	62.60
July	62.90	63.00	62.85	63.10
Sept	63.40	63.40	63.25	63.60
Dec	64.15	64.25	64.25	64.36

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	58.40	58.49	58.00	58.10
Dec	58.81	58.85	58.42	58.56
March	59.87	59.97	59.60	59.60
May	60.20	60.20	59.85	59.99
July	60.03	59.95	59.75	59.78
Oct	55.00	—	—	54.85
Dec	54.16	54.25	54.25	53.95

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Sept	28.18	28.24	27.90	27.99
Oct	27.68	27.78	27.38	27.51
Nov	27.28	27.34	26.98	27.09
Dec	27.00	27.08	26.67	26.81
Feb	26.60	26.60	26.25	26.35
March	26.28	26.30	25.95	26.10
April	26.00	25.69	25.69	25.85
May	25.70	25.48	25.48	25.60
June	25.30	25.28	25.28	25.45

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Aug	335.6	336.5	334.0	338.1
Sept	336.3	—	—	339.4
Oct	338.6	339.0	336.5	341.4
Dec	343.0	343.5	340.7	345.8
Feb	347.4	347.7	345.5	350.3
April	351.8	352.5	349.3	354.8
June	356.7	356.5	356.0	359.8
Aug	361.8	361.5	361.5	365.0
Oct	367.0	—	—	370.4
Dec	372.3	371.5	371.5	375.9
Feb	377.8	378.5	378.5	381.6
April	383.6	—	—	387.6
June	389.6	—	—	393.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Sept	74.10	74.25	72.70	73.30
Oct	75.05	75.20	73.80	74.21
Nov	75.60	75.80	74.25	74.72
Dec	76.35	76.50	75.00	75.52
Jan	75.90	76.75	75.40	75.80
Feb	76.30	76.30	74.60	75.17
March	73.30	73.35	73.30	71.90
April	69.70	—	—	69.85

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Sept	134.30	135.25	134.30	134.75
Nov	131.10	131.50	131.10	131.25
Jan	128.70	129.10	128.70	128.95
March	127.80	127.85	127.80	127.50
May	126.70	—	—	126.50
July	126.70	—	—	126.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Aug	330.7	329.5	329.5	338.3
Oct	332.7	335.0	324.5	338.3
Jan	336.0	338.0	325.2	342.1
April	339.7	341.0	332.0	345.8
July	344.2	346.5	336.0	350.3
Oct	349.5	350.0	345.0	355.6

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Aug	626.2	624.0	624.0	630.5
Sept	628.0	631.5	622.5	632.5
Oct	632.4	—	—	637.0
Dec	640.6	644.5	635.5	645.2
Jan	645.2	644.0	644.0	649.9
March	653.7	657.0	649.0	658.5
May	662.8	664.5	660.0	667.8
July	672.6	670.0	669.0	677.7
Sept	682.9	681.0	680.0	686.2
Dec	698.8	702.0	697.0	704.3

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Sept	4.13	4.13	4.02	4.10
Oct	4.31	4.32	4.18	4.24
Jan	4.40	4.45	4.34	4.40
March	4.77	4.81	4.65	4.72
May	4.93	4.98	4.84	4.93
July	5.10	5.13	5.03	5.10
Sept	5.16	—	—	5.11
Oct	5.41	5.41	5.33	5.40

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	54.37	54.80	54.25	54.72
Oct	55.52	56.25	55.50	56.22
Dec	57.50	58.15	57.45	57.87
Feb	58.12	58.40	58.00	58.27
April	59.07	59.60	59.00	59.25
July	60.00	60.30	59.90	60.40
August	58.75	59.10	58.75	59.65

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
August	42.37	43.65	42.37	43.87
Oct	36.65	36.85	36.10	36.47
Dec	38.60	39.20	38.35	38.92
Feb	40.20	40.65	39.95	40.42
April	37.32	37.75	37.10	37.67
June	40.40	40.80	40.15	40.72
July	41.20	41.35	40.60	41.30
August	40.75	41.20	40.75	40.57
Oct	39.15	39.15	39.15	38.50

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Sept	230.6	232.0	230.4	231.2
Dec	222.0	223.4	221.4	223.6
March	230.6	232.0	230.2	232.0
May	236.2	236.2	235.0	236.2
July	236.4	237.4	236.0	237.0
Sept	224.4	226.4	224.4	226.6
Dec	220.4	223.0	220.2	223.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
August	44.65	46.00	44.65	46.65
Feb	56.70	57.35	56.90	56.77
March	56.40	57.17	55.65	56.82
May	58.12	58.40	57.20	58.30
July	57.90	58.70	57.55	58.25
August	56.15	56.40	56.15	56.30

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
August	511.4	520.0	510.4	519.0
Sept	504.0	506.6	500.4	506.0
Nov	508.0	510.2	505.0	509.0
Jan	517.6	519.2	514.4	518.0
March	528.4	529.0	524.4	528.4
May	536.0	537.6	533.4	536.4
July	539.0	541.0	536.2	540.6
August	566.0	537.0	536.0	537.4
Sept	534.0	—	—	534.0
Nov	533.0	534.0	531.2	532.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
August	120.6	122.3	120.3	122.4
Sept	121.6	123.0	120.9	123.1
Oct	123.1	124.5	122.5	124.6
Dec	126.1	127.5	125.4	127.7
Jan	127.8	129.0	127.0	129.3
March	130.7	131.9	130.0	131.8
May	132.5	134.0	132.5	134.4
July	135.5	136.5	135.0	137.0
August	137.5	—	—	136.5
Sept	138.0	138.0	138.0	137.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	22.60	22.60	22.20	22.75
Sept	22.48	22.50	22.18	22.23
Oct	22.42	22.48	22.12	22.21
Dec	22.37	22.50	22.12	22.21
Jan	22.50	22.60	22.30	22.31
March	22.77	22.80	22.55	22.53
May	22.75	22.86	22.75	22.75
July	23.00	23.05	22.95	22.80
Aug	22.92	23.10	22.92	22.93
Sept	22.90	22.90	22.90	22.86

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Sept	280.2	286.4	280.0	287.6
Dec	293.6	300.6	293.4	302.0
March	300.6	306.4	300.0	307.6
May	295.0	299.4	294.4	300.2
July	272.0	276.0	271.2	276.6
Sept	276.0	278.4	276.0	280.2

SPOT PRICES — Chicago loose lard 18.00 (18.50) cents per pound. New York tin 583.0-86.0 (584.0-87.0) cents per pound. Handy and Harman silver bullion 626.5 (634.0) cents per troy ounce.

OTHER MARKETS

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 95.27p per kg lw (−1.62). GB—Sheep 153.52p per kg est dcw (−13.49). GB—Pigs 76.52p per kg lw (−2.21).

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 81.0: English forequarters 55.0 to 57.0: Ulster hindquarters 86.0 to 90.0. Veal: Dutch hinds and ends 138.0 to 142.0. Lamb: English small 70.0 to 76.0, medium 67.0 to 70.0, heavy 66.0 to 68.0: Scottish heavy 64.0 to 66.6; Imported: New Zealand PL 65.0 to 65.5, PX 64.5 to 65.0. Pork: English, under 100 lb 48.5 to 58.5, 100-120 lb 52.5 to 56.0, 120-160 lb 42.0 to 49.0.

HIDES

HGCA — Locational ex-farm spot prices. Feed barley: S. East 93.90, S. West 93.00, W. Midlands 92.00, N. East 90.30. The UK monetary coefficient for the week beginning Monday, August 26 (based on HGCA calculations using five days' exchange rates), will remain unchanged at 0.984.

PARIS

SUGAR—(FFr per tonne): Oct 1,338-1,340, Dec 1,322-1,325, March 1,338-1,340, May 1,370-1,380, Aug 1,415-1,430, Oct 1,465-1,490.

COCOA—(FFr per 100 kg): Sept 2,010-2,018, Dec 2,008-2,015, March 2,020-2,033, May 2,040 bid, July 2,050 bid, Sept 2,060 bid, Dec 2,070 bid.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 613.0, 615.0, nil; Dec 618.0, 621.0, 618.0; March 625.0, 627.0, nil; May 633.0, 636.0, 633.0; July 634.0, 638.0, nil; Oct 622.0, 635.0, nil; Dec 626.0, 642.0, nil; March 632.0, 648.0, nil. Sales: 2.

ROTTERDAM

WHEAT—(U.S. $ per tonne) U.S. No. 2 Soft Red Winter: Sept 129, Oct 133.50, Nov 136, Dec 137.50. U.S. Northern Spring, 14 per cent protein: Sept 149, Oct 151, Nov 153, Dec 157.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

GNP figure boosts dollar

The dollar improved yesterday on better than expected U.S. growth figures. Second quarter revised GNP rose by 2.0 per cent, up from a previous figure of 1.7 per cent and in complete contrast to market expectations of a downward revision to 1.1-1.5 per cent. Consequently after a quiet start which saw the dollar confined to a narrow range ahead of the announcement, the U.S. unit improved quite sharply in rather confused trading before meeting resistance around the DM 2.79 level.

Despite all this the market appeared to be far from convinced that yesterday's figure heralded a turning point in the U.S. economy. While short term pressures on the authorities to ease monetary policy may have been temporarily removed, more economic statistics due for release later this week and next week will provide a more sound basis for assessing the dollar's future. Underlying sentiment seemed to suggest that there would have to be a significant upturn if earlier growth forecasts made by the Government are to be met.

Against this background the dollar failed to gain sufficient momentum to move beyond DM 2.79 and slipped back to close at DM 2.7775 up from DM 2.7630. Elsewhere it rose to Y237.30 from Y236.80 and SwFr 2.2785 from SwFr 2.2610. Against the French franc it rose to FFr 8.4860 compared with FFr 8.4350. On Bank of England figures, the dollar's exchange rate index rose to 136.7 from 136.0.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525. July average 1.3783. Exchange rate index 81.8 up from a low of 81.6 but down from 82.1 from Monday. The six months ago figure was 71.4.

Sterling slipped back as the dollar recovered on GNP figures. Trading was rather uneventful apart from the dollar's firmer trend and the pound eased to finish at $1.3890-1.3900, a fall of one cent from Monday. Against the D-mark it slipped to DM 3.8600 from DM 3.8675 and Y329.75 compared with Y331.50. It was lower against the French franc at FFr 11.78 from FFr 11.81 but unchanged in terms of the Swiss franc at SwFr 3.1650.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7575. July average 2.9134. Exchange rate index 126.5 against 118.6 six months ago.

Trading was rather quiet in early Frankfurt trading ahead of the U.S. GNP announcement and the dollar was fixed at DM 2.7652 from DM 2.7647 without any intervention by the Bundesbank. With an upward revision in GNP the dollar improved but failed to hold its best levels and came back to close at DM 2.7810 still up from DM 2.7595 on Monday however.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.0923	+0.58	+0.94	±1.5425
Danish Krone	8.12857	8.06914	−0.73	−0.37	±1.6421
German D-mark	2.23840	2.22485	−0.61	−0.25	±1.1456
French Franc	6.86402	6.79481	−1.01	−0.65	±1.3654
Dutch Guilder	2.52208	2.50882	−0.61	−0.25	±1.5162
Irish Punt	0.724578	0.715748	−1.22	−0.86	±1.6673
Italian Lira	1520.60	1491.75	−1.90	−1.90	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	Aug. 20	Previous
8.30 am	82.1	82.1
9.00 am	82.1	82.2
10.00 am	82.1	82.2
11.00 am	82.1	82.0
Noon	82.1	82.1
1.00 pm	82.0	82.1
2.00 pm	81.6	82.1
3.00 pm	81.6	82.1
4.00 pm	81.8	82.1

£ IN NEW YORK

	Aug. 20	Prev. close
£ Spot	$1.3970-1.3980	$1.4010-1.4020
1 month	0.47-0.45pm	0.46-0.45 pm
3 months	1.16-1.12pm	1.10-1.08 pm
12 months	2.7-62.60pm	2.54-2.54 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

August 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3810-1.4030	1.3890-1.3900	0.48-0.45c pm	4.02	1.15-1.11 pm	3.25
Canada	1.8772-1.8875	1.8815-1.8846	0.50-0.41c pm	2.90	1.11-0.98 pm	2.22
Nethlnd.	4.32½-4.35	4.34¾-4.35¾	2⅛-2⅛c pm	6.21	6-5¾ pm	5.41
Belgium	77.80-78.44	78.10-78.20	21-12c pm	2.53	38-21 pm	1.51
Denmark	13.97-14.02½	14.01½-14.02½	4⅛-3⅛ore pm	3.32	10⅛-8⅞ pm	2.92
Ireland	1.2407-1.2469	1.2407-1.2417	0.21-0.06p pm	1.31	0.42-0.21 pm	1.02
W. Ger.	3.84-3.87	3.85½-3.86½	2½-2⅛pf pm	7.58	6⅞-6½ pm	6.80
Portugal	[illegible]	[illegible]	[illegible]	−12.23	420-1465dis	−16.36
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−6.39
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 79.20-79.30. Six-month forward dollar 1.93-1.76c pm, 12-month 2.70-2.55c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

August 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3810-1.4030	1.3890-1.3900	0.48-0.45c pm	4.02	1.15-1.11 pm	3.25
Ireland†	1.1120-1.1245	1.1190-1.1200	0.30-0.20c pm	2.67	0.70-0.55 pm	2.22
Canada	1.3550-1.3595	1.3560-1.3570	0.11-0.14c dis	−1.11	0.33-0.38dis	−1.05
Nethlnd.	3.1105-3.1420	3.1285-3.1295	0.56-0.55c pm	2.18	1.72-1.89 pm	2.18
Belgium	55.97-58.50	56.20-56.30	7-9c dis	−1.71	23-30 dis	−1.88
Denmark	9.99⅝-10.12	10.06¾-10.07¾	⅛-⅜ore dis	−0.60	½-1 dis	−0.30
W. Ger.	2.7595-2.7900	2.7770-2.7780	0.85-0.80pf pm	3.56	2.43-2.38 pm	3.48
Portugal	[illegible]	[illegible]	100-350c dis	−18.31	450-1200dis	−19.94
Spain	[illegible]	[illegible]	[illegible]	−8.21	250-450dis	−8.50
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.00-57.10.

OTHER CURRENCIES

Aug. 20	£	$		Note Rates
Argentina Austral	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hongkong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
KuwaitDinar(KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr	[illegible]	[illegible]	Norway	[illegible]
Malaysia Ringgit	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Aug. 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty change: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Aug. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr.	[illegible]	[illegible]	[illegible]
Spain Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr'ch.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*CS/SDR rate for August 19: [illegible]

EXCHANGE CROSS RATES

Aug. 20	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschemark	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen 1,000	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc 10	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
Belgian Franc 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Aug. 20	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	11¾-12	7⅝-7⅞	8⅝-8⅞	5⅝-5¾	1⅛-1¾	4⅞-4⅞	10⅛-10⅜	13⅛-13⅞	10-10½	9⅝-9⅞	5⅞-6⅛	9⅛-9⅝
7 days' notice	11¾-12	7⅞-7⅞	8⅝-8⅞	5¾-5⅞	4⅞-4⅞	4⅞-4⅞	11¼-11½	13½-14	10-10½	9¾-10	[illegible]	[illegible]
Month	11¾-11⅞	7⅞-8	8¾-8⅞	5¾-5⅞	4⅝-4¾	4⅞-4⅞	11½-11¾	13¾-14⅛	10⅛-10⅜	[illegible]	[illegible]	[illegible]
Three months	11⅞-11⅞	8-8⅛	8⅞-9⅛	5¾-5⅞	4¾-4⅞	4⅞-4⅞	11½-11⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	11⅞-11⅞	8⅛-8⅜	9⅛-9⅜	5¾-5⅞	4⅞-4⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	10⅞-11⅞	8⅝-8⅞	9⅜-9⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 8-8⅛ per cent; seven days 7⅞-8⅛ per cent; one month 7⅞-8 per cent; three months 8-8⅛ per cent; six months 8⅛-8⅜ per cent; one year 8⅝-8⅞ per cent. Long-term Eurodollars: two years 9⅛-9⅜ per cent; three years 10-10⅛ per cent; four years 10¼-10½ per cent; five years 10⅝-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates slightly firmer

Interest rates were slightly firmer on the London money market yesterday, as sterling weakened against the dollar on the foreign exchanges and hopes faded of an early cut in clearing bank base lending rates.

The Bank of England did not offer an early round of assistance to the money market, despite an initial forecast of a shortage in the region of £1,000m. Most of the help was provided through outright purchases of bills from the discount houses, and the reluctance of the authorities to offer a repurchase agreement to the market continued to underline the present commitment to the interest rate structure. Three-month interbank finished 11⅞-11⅞ per cent compared with 11⅝-11⅞ per cent, and discount houses buying rates for three-month bank bills rose to 11⅛ per cent from 10⅞ per cent.

UK clearing banks base-lending rate 12 per cent since July 11-16.

The forecast shortage was revised down to £850m at noon, and to £750m in the afternoon. Total help on the day was £736m.

Before lunch the Bank of England bought £238m bills outright, by way of £52m bank bills in band 1 (up to 14 days maturity) at 11⅞ per cent; £100m bank bills in band 2 (15-33 days) at 11⅞ per cent; £3m Treasury bills in band 3 (34-63 days) at 11¾ per cent; £79 bank bills in band 3 at 11¾ per cent; £2m local authority bills in band 4 (64-91 days) at 11⅞ per cent; and £2m bank bills in band 4 at 11⅞ per cent.

In the afternoon another £408m bills were purchased outright, through £165m bank bills in band 2 at 11⅞ per cent; £118m bank bills in band 3 at 11¾ per cent; £3m Treasury bills in band 4 at 11⅞ per cent; £20m local authority bills in band 4 at 11⅞ per cent; and £102m bank bills in band 4 at 11⅞ per cent.

The Bank of England also provided late assistance of around £90m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £995m, with the unwinding of repurchase agreements absorbing £309m, and bank balances below target another £90m. These outweighed Exchequer transactions adding £265m to liquidity, and a fall in the note circulation of £50m.

MONEY RATES

Aug. 20	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.5-4.6	9¼	1¼-1¾	5⅜-5⅝	6.09375	14⅛-14¾	10.0	11¼-11½
One Month	4.55-4.70	9⅛-9⅛	4¼-4⅜	5¼-5⅞	6.34375	13⅞-14¼	9⅛-9¼	10⅝-10⅞
Two Months	4.55-4.70	9¾-9⅞	—	—	—	—	—	10⅜-10¾
Three Months	4.56-4.70	9⅛-9⅛	4⅛-4¾	5¾-5⅞	6.34375	14¼-14⅝	9⅛-9⅝	10⅝-10⅝
Six Months	4.60-4.75	9⅛-10⅛	—	6¾-6⅞	—	—	9⅝-9⅞	10¼-10½
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅛	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Aug. 20 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
2 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
7 days or	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11⅞	11⅞	11⅞	11⅞	12⅛
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11¼	11⅞	11¼	11⅞	11⅞
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11⅛	10⅞	11⅛	10⅞	11⅞
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	10⅞	10⅞	11¼
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8⅝-8¾
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8¾-8⅞
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8⅞-8⅞
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8⅞-9⅛
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9-9⅛
Two years	[illegible]	[illegible]	—	—	—	—
Three years	[illegible]	[illegible]	—	—	—	—
Four years	[illegible]	[illegible]	—	—	—	—
Five years	[illegible]	[illegible]	—	—	—	—

ECGD Fixed Finance IV: Average Rate of Interest period July 3 to August 6 (inclusive): 11.669 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12¼ per cent from August 1, 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. London Deposit Rates for sums at seven days' notice 10.0625 per cent. Treasury Bills: Average tender rate of discount [illegible] per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from August 9. Deposits held under Series 5 11 per cent. The rate for all deposits withdrawn for cash 7¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 20)

3 months U.S. dollars	
bid 7 15/16	offer 8 1/16

6 months U.S. dollars	
bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾-9
Fed funds	7⅞
Fed funds at intervention	—

Treasury Bills

One month	6.79
Two month	7.23
Three month	7.37
Six month	7.69
One year	8.00

Treasury Bonds

Two year	8.91
Three year	9.24
Four year	9.52
Five year	9.79
Seven year	10.13
10 year	10.05
30 year	10.54

FINANCIAL FUTURES

Prices fall

Interest rate contracts weakened on the London International Financial Futures Exchange yesterday, after a steady to stronger start. Eurodollars for September and December delivery opened slightly higher, but fell sharply on the revised U.S. GNP figure, showing a rise of 2.0 per cent, compared with the previous estimate of 1.7 per cent. Dealers commented that the upward revision was not a disaster for the market, but coupled with comments by Mr Paul Volcker, chairman of the Federal Reserve Board, about tightening money supply growth if the U.S. economy grows at a faster than expected pace, depressed Eurodollar futures and other contracts. September Eurodollars opened at 91.95 and touched a peak of 91.96, before closing at 91.90, compared with 91.92 previously.

The September Treasury bond began at 77-03, but fell to a low of 76-16 after the GNP revision, before recovering towards the finish.

Short sterling for September delivery opened unchanged at 88.95, the high of the day, but fell more than the December contract, proving dear to the cash market, and closing at 88.83 compared with 88.95 on Tuesday.

The weaker trend of sterling against the dollar also tended to depress gilt future prices.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.90	91.96	91.86	91.92
Dec	91.52	91.62	91.49	91.55
March	91.13	91.21	91.14	91.18
June	90.76	90.85	90.75	90.78
Sept	90.40	—	—	90.44

Est volume 6,825 (3,740)
Previous day's open int 20,588 (20,966)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 2,587 (921)
Previous day's open int 7,406 (7,292)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 2,055 (1,167)
Previous day's open int 5,628 (5,702)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) [illegible]

STERLING £25,000 per £

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 226 (86)
Previous day's open int 3,249 (3,250)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 92 (41)
Previous day's open int 218 (216)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 30 (2)
Previous day's open int 206 (206)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 2 (2)
Previous day's open int 170 (170)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	131.05	131.20	130.40	129.80
Dec	13.05	131.20	130.40	129.90
March	131.55	131.90	130.90	130.40

Est volume 181 (43)
Previous day's open int 1,440 (1,443)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	76-21	77-04	76-16	76-30
Dec	75-21	76-05	75-13	75-30
March	74-21	—	—	74-30

Est volume 3,975 (2,143)
Previous day's open int 2,884 (2,791)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	76-21	77-03
Dec	[illegible]	[illegible]	75-18	76-00
March	[illegible]	[illegible]	74-18	75-00
June	[illegible]	[illegible]	73-21	74-02
Sept	[illegible]	[illegible]	72-26	73-06
Dec	[illegible]	[illegible]	72-00	72-12
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	76-29	76-03	75-29	76-10
Dec	75-04	75-11	75-04	75-17
March	74-18	74-16	74-16	74-27
June	—	—	—	74-08
Sept	—	—	—	73-20

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Dollar lifted by 0.3% U.S. GNP rise but trading was cautious on doubts of further increases.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
237	131	10130	7229

Eurodollar Future—points of 100%. Modest volume despite wide trading range in futures as market closed close to previous settlement.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
68	121	1191	1225

For full details of settlement prices call:
Louisa Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101	99	Exch. 12¼pc 1985	100¼	−	12.23	11.20
101	99	Exch. 11¼pc '86	100 xd	−	11.70	10.77
99½	97	Treas. 10pcCnv 1986	99	−	10.06	10.84
95¾	92¼	Treas 3pc 1986	95	..	3.14	9.46
100	97	Exch. 10½pc Cv '86	99¾	−	10.53	10.75
102	99	Treas 12pc 1986	100	−	11.89	10.66
98	94	Treas 8¾pc 1984-86‡‡	98	..	8.65	10.49
105	102	Exch. 14pc 1986	103¾	..	13.51	10.59
93¾	87	Exch. 2½pc 1986	93	−	2.67	7.86
104	101	Exch. 13¼pc 1987	103½	−	12.82	10.56
99	96	Treas 10½pcCv '87	99	..	10.30	10.54
92¼	85	Exch 2½pc 1987	92½xd	+	2.71	7.94
99	96	Exch 10½pc 1987	99	−	10.53	10.68
94	89	Funding 6½pc '85-87‡‡	94	−	6.91	10.34
99	95	Treas 10pc 1987	98	−	10.11	10.66
90	84	Treas 3pc 1987	90	..	3.32	8.60
102	99	Treas 12pc 1987	102	−	11.72	10.70
94	90	Treas 7¾pc 1985-88‡‡	94xd	..	8.19	10.28
99	95	Exch 10½pc '88	99	−	10.53	10.60
97	93	Treas 9¾pc Cv '88	97	−	9.97	10.67
86	80	Transport 3pc '78-88	86	−	3.49	8.59
96	91½	Treas 9½pc '88	96	−	9.82	10.71
102	97½	Treas 11½pc 1989	102 xd	−	11.22	10.63
96	90	Treas 9½pc Cnv '89	96	−	9.86	10.70
81	79	Treas 3pc 1989	81	+	3.67	8.82
99	94	Treas 10½pc 1989	99	−	10.56	10.66
97	92	Exch 10pc 1989	97	−	10.27	10.70
101	95	Exch 11pc 1989	100	−	10.93	10.78
85	79	Treas 5pc 1986-89	84	+	5.89	9.46
108	103	Treas 13pc 1990‡‡	108	−	12.01	10.58
101	96	Exch 11pc 1990‡‡	101	−	10.86	10.63
106	100	Exch 12½pc 1990	106 xd	−	11.74	10.71
77	75	Treas 3pc 1990	77	..	3.89	9.07

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	1985 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	28	Mammet Hldgs 10p	40		—	—	—	♦
390	302	Man. Ship Can £1	373	+1	5.5	3.5	2.1	19.6
104	70	Marley	77	+1	3.75	2.2	7.0	9.3
107	52	Marling Ind. 10p	89		10.0	♦	2.1	♦
74	36	Marshall Cvy 'A'	71		2.4	4.9	4.8	5.1
77	58	Marshall's Universal	58	−1	2.0	1.4	4.9	18.4
86	78	Do 7½pcCnRedPf £1	82		7½%	—	13.1	—
For Martin-Black see Dean Park Hotels in Recent Equities								
£99	£81	Matheson 7¼%	£99		Q7¼%	2.3	7.9	—
35	26	M.Jmpoint 1p	28		—	—	—	—
490	375	Metal Box £1	490	+8	17.25	3.1	5.0	7.4
170	119	Metal Closures	130		6.7	2.0	7.4	8.1
17	3	Metal Sciences 2½p	8		—	—	—	—
104	73	Midland Marts	90		4.0	♦	6.3	♦
83½	57½	Mitchell Cotts	58	+½	4.0	1.5	9.9	8.3
230	182	Morgan Crucible	188	−4	8.0	1.6	6.1	13.1
32½	22	Morris (W) F.A. 20p	28½		0.5	♦	2.5	♦
110	91	Moss (Robt) 10p	104	−2	3.0	2.5	4.1	11.5
81	68	Myson Grp 10p	69		2.5	3.4	5.2	13.1
328	214	NMW Computers	280	−5	4.8	2.7	2.4	21.5
43	25	Nash Inds.	30		2.5	1.5	‡	6.9
48	18	Neil & Spencer 10p	19		♦	—	—	5.7
44	14½	Newman Inds 10p	36		—	—	—	17.0
41	28	Nolton	28		—	—	—	—
189	146	Norcros	189	+9	11.17	4.5	6.0	5.4
67	50	Nu-Swift 5p	52		8.6	2.2	6.5	9.4
111	68	Oakwood Grp.	95	−1	3.0	1.6	8.2	10.0
248	150	Office & Elect.	248	+18	14.5	1.4	6.8	14.0
108	75	Oldacre 20p	77		7.5	2.4	4.3	13.6
58	37	Optometrics $0.01			4.0	2.6	7.4	6.8

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LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

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Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 25 (International Edition Page 28)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Rally in equities lifts FT index 10.1 to 982.2 lower sterling upsets Gilt-edged

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equity sectors of London stock markets staged a smart rally yesterday. A much better tone was evident from the outset when demand for a handful of electrical leaders, most notably Plessey and Racal, spilled over into other industrial sectors. Buying interest was selective and by no means substantial, but uncovered a number of short book positions and led to exaggerated gains in many cases.

The general advance was temporarily halted just after lunchtime when the U.S. Commerce Department issued its revised figure for U.S. second-quarter GNP. This came out at 2 per cent, well above London estimates which had ranged from as low as 1.2 per cent to 1.7 per cent. The U.S. GNP revision produced an immediate upturn in the dollar and brought pressure to bear on sterling which ran back from an early $1.3985 to touch a low of $1.3840 before closing at $1.3895.

Hopes of an early cut in base lending rates were diminished and leading blue chips faltered momentarily, before quickly regaining their upward momentum. In the background, the latest domestic economic data, showing the UK economy growing at a rate of about 3 per cent, was an encouraging factor, as was the firm opening on Wall Street.

The FT index, up 4 points at the day's initial calculation, subsequently pushed ahead to close 10.1 up at 982.2, its highest point since June 19.

Gilts opened ⅛ to ¼ easier in cautious trading ahead of the U.S. GNP revision. After the event, losses were extended to around ½.

Standard Chartered please

Standard Chartered's interim profits, which came at the top end of market estimates, gave a further boost to an already firm Banking sector. Standard Chartered touched 475p prior to closing a net 20 up at 472p. The major clearers made good progress before closing a shade below the best. Barclays were finally 9 higher at 397p, after 400p, while Lloyds settled 11 better at 429p and NatWest 10 to the good at 662p. Midland touched a 1985 peak of 402p before slipping back to close a net 7 higher at 399p. Elsewhere, First National Finance attracted fresh speculative support and firmed 2 to 126p.

Lloyds brokers attracted more attention than of late. Hobb Robinson moved up 7 to 277p, as did Willis Faber, to 674p, while Sedgwick rose 10 to 385p.

Confirmation of another round of price increases stimulated useful early support of leading Breweries. Business levels were not maintained, however, and most finished below the day's best. Bass attained a new peak of 578p before settling only 3 up on balance at 580p, while Grand Metropolitan added 5 at 320p. Among Regionals, Matthew Brown advanced 7 more to 432p on hopes of a Monopolies Commission clearance for the offer from Scottish and Newcastle, 2 firmer at 155p. Elsewhere, Distillers continued its recent rerating and finished 10 higher at 310p. Arthur Bell improved 8 to 264p as the chairman sent out yet another letter to shareholders stressing the benefits of the company's continued independence; bidders Guinness, which now holds over 13 per cent of Bell, added a couple of pence to 273p. The offer closes on Friday.

,tB]-Ah—fiJnu3aeRur

The Building sector presented a generally firm appearance, but Alfred McAlpine registered acute disappointment with the interim trading statement and fell 20 to 244p, while Blue Circle shed 11 to 496p following publicity given to a broker's downgraded profits estimate. Elsewhere, sporadic buying interest helped Redland rise 6 to 308p and lifted RMC the same amount to 418p. Comment on good annual results prompted fresh support for Vibroplant, up 12 more at 172p, while Berkeley Group firmed 8 to 172p following the annual meeting. Dealings in troubled housebuilding group Milbury were suspended at 18p pending news of St Piran's possible sale of its 87.7 per cent holding.

ICI continued to trade quietly, but edged up 5 to 656p on currency influences. Buying ahead of next month's interim results left Laporte 9 better at 322p, but comment on the interim figures further depressed Hickson International which fell 28 to 357p. Among other Chemicals, Rentokil reacted to 128p prior to closing a penny off at 132p following mid-term profits at the lower end of market estimates. W. Canning gained 10 to 94p after comment on the company's move into the U.S. dental business, while P. Harris, in which Canning recently acquired a 7.8 per cent stake, firmed 7 to 175p on hopes of an outright bid.

Leading Stores displayed a quietly firm bias. Burton added 5 more to 463p, still reflecting the successful share placing, while Habitat Mothercare attracted fresh interest in a relatively narrow market and finished 10 higher at 442p. W. H. Smith A, however, met with nervous offerings in front of today's annual results and eased 6 to 240p.

Logica volatile

After an encouraging start business in Electricals tailed off and the leaders usually finished a few pence below best levels. Plessey, buoyed initially by sizeable overnight U.S. support, closed only a couple of pence dearer at 150p, after 154p. Racal, supported up to 168p ahead of the annual meeting, reverted to unchanged at 158p reflecting disappointment with the uninspiring tenor of the chairman's statement. GEC touched 194p before settling only 2 up on balance at 190p, while Thorn EMI also finished off the top at 362p, a net gain of 5. Computer group Logica provided one of the session's outstanding features; up to 220p at one stage amid revived speculation of a bid from the U.S., Lockheed were mentioned in this context, Logica eased steadily to finish at 180p, still up 30 on the day, as the company attempted to quash takeover chatter. Selected USM-quoted counters made impressive progress in sympathy. Northamber were prominent and rose 23 to 170p, after 176p, while gains of around 10 were evident for Norbain, 290p, and Datron, 90p. Amstrad, on the other hand, encountered sporadic profit-taking and at 84p, lost most of Monday's gain that heralded the launch of its new business computer. BSR, dull recently following the disappointing interim results, rallied 6 to 68p, while International Signal and Control continued to benefit from a brokers' lunch and rose 13 for a two-day advance of 30 at 290p. Greenwich Cable Communications were marked 13 lower to 12p on consideration of substantial staff and programming cuts.

Outstanding features in the Engineering sector were few, but the general advance by equities encouraged modest support across the board. In the leading group, Vickers and Hawker Siddeley added 4 apiece at 282p and 388p.

Foods were highlighted by Bejam which rose 15 to 183p on speculation about a possible bid from Dee Corporation, 3 dearer at 273p. Iceland Frozen Foods were also a firm market, at 572p, up 12, but Avana remained under selling pressure and shed 8 more to 560p.

Beecham rise

Beecham, mentioned last week as a possible bidder for Revlon, the U.S. cosmetics group, rose 12 to 345p on American inquiry in the wake of Pantry Pride's £1.8bn bid for Revlon. BTR, with interim results due next month, rose 10 to 353p and BOC firmed 6 to 284p. British Aerospace were a lively market and touched 378p prior to closing a net 12 up at 372p; the new shares improved 5 to 192p, after 195p. Bowater picked up 5 to 320p and Metal Box 8 to 490p. Norcros continued to attract buyers at 189p, up 9, while Johnson Matthey gained 10 to 120p following comment on the new medium-term financing agreement with a syndicate of banks. Elsewhere, Office and Electronic jumped 18 to 248p on news that F. H. Tompkins had acquired an 8.16 per cent stake, while Charles Sharpe followed Monday's leap of 105 with a fresh gain of 45 to 545p on the announcement of an agreed bid of 570p per share cash from Booker McConnell, up 11 at 273p.

Financials went better, where altered. Exco International, interim figures scheduled for September 3, rose 5 to 202p, while hopes of early news regarding the recent bid approach lifted Baltic 15 to a 1985 high of 260p. Persistent support in a restricted market buoyed Henderson Administration, 40 to the good at 800p.

Saxon advance

The bid by Enterprise Oil for Saxon Oil—approved by the majority of the Saxon board—was announced late on Monday evening and Saxon shares closed 60 higher at 540p. Brokers acting on behalf of Enterprise moved into the market at the outset of trading and purchased a further 2.755m Saxon shares, at 540p a share, thereby increasing their stake in the latter to 14.91 per cent. Enterprise added a couple of pence to 180p, while Charterhouse Petroleum, which extended its Saxon merger proposal, hardened a penny to 38p. Leading oils made good progress, helped by the easier trend in sterling against the dollar. Shell improved 6 to 673p and BP rose a few pence to 540p. Britoil gained ground late in the day to settle 5 firmer at 208p with the new shares 3 better at 126p. LASMO featured with an 18 jump to 278p on vague bid rumours. Takeover talk was also responsible for gains in Ultramar, 8 higher at 213p, and Tricentrol, 3 to the good at 190p. Elsewhere, Falcon Resources dipped 5 to 65p, but speculative support lifted Monument Oil and Gas 4 to 16p.

Golds up again

South African-sectors of mining markets extended Monday's good rally despite the rather lethargic showing by the bullion price and other precious metals. Golds improved from the outset following sustained buying interest from a number of Continental operators and the emphasis was placed on the top-quality issues. The upturn faltered in mid-afternoon following the revised U.S. GNP figure but most of the leading stocks retained good overall gains.

The Gold Mines index added a further 4.9 at 322.3, for a two-day improvement of 13 points.

South African Financials were highlighted by Gold Fields of South Africa which advanced 55 to 980p following the better-than-expected preliminary results. Interim results from De Beers were regarded as slightly disappointing — despite the increased interim dividend—and De Beers shares settled unaltered on balance at 347p. UK-based Financials, on the other hand, attracted sustained and often sizeable support on the view that the sector had been left behind in the recent upturn in London equity markets. Consolidated Gold Fields raced ahead to close 18 firmer at 435p. Rio Tinto-Zinc put on a like amount at 575p, after 578p, and Hampton Areas moved up 7 to 160p.

Dealers reported a rather disappointing level of business in the recently buoyant Australian sector. The Federal Budget was viewed as negative and persistent small sellers quickly got the upper hand in a drab trading session. The absence of a tax on gold mining had been fully discounted and came as no surprise, but failed to lift gold issues which, in most cases, tended to drift lower. Gold Mines of Kalgoorlie, up 10 at 590p, and Sons of Gwalia, a further 2 harder at a year's best of 162p, were notable exceptions.

FINANCIAL TIMES STOCK INDICES

	Aug. 20	Aug. 19	Aug. 16	Aug. 15	Aug. 14	Aug. 13	year ago
Government Secs	83.33	83.60	83.70	83.70	83.56	83.58	80.15
Fixed Interest	88.64	88.69	88.66	88.64	88.55	88.59	83.34
Ordinary ♥	982.2	972.1	974.7	975.7	966.0	959.5	839.9
Gold Mines	322.3	317.4	309.3	330.3	329.6	343.6	562.6
Ord. Div. Yield	4.80	4.84	4.83	4.82	4.85	4.88	4.91
Earnings, Yld. % (full)	11.81	11.93	11.89	11.86	11.95	12.02	11.56
P/E Ratio (net) (*)	10.44	10.34	10.38	10.40	10.32	10.26	10.40
Total bargains (Est.)	21,038	20,494	22,141	20,811	20,647	22,995	16,822
Equity turnover £m.	—	269.37	342.1	396.19	381.59	347.64	196.74
Equity bargains	—	17,921	19,031	19,036	17,894	20,019	14,883
Shares traded (ml)	—	147.8	164.0	204.5	189.3	180.0	114.6

♥ 10 am 976.1. 11 am 977.1. Noon 980.5. 1 pm 981.3. 2 pm 980.2. 3 pm 981.7. 4 pm 981.7.

Day's High 982.2. Day's Low 976.0.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 10.06.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (30/7)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.74 (30/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	911.0 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	298.1 (5/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Aug. 19	Aug. 16
Daily Gilt Edged Bargains	127.1	134.4
Equities Bargains	116.4	123.3
Value	644.5	691.6
5 day Average Gilt Edged Bargains	134.7	136.5
Equities Bargains	121.7	128.3
Value	702.1	739.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (88)

BRITISH FUNDS (1)
Exch 2½pc 1987
CANADIANS (3)
Goliath Gold Mines, Hollinger, Granges Expln
BANKS (3)
First Natl Finance, Midland Bank, Lloyds Bank
BREWERS (6)
Allied-Lyons, Vaux, Bass, Whitbread A, Scottish & Newcastle, Wolv & Dudley
BUILDINGS (10)
BPB Inds, Higgs & Hill, Berkeley Group, Marshalls Halifax, Blockleys, RMC, Breedon & Cloud Lime, Vibroplant, French Kier, Wilson (Connolly)
STORES (6)
Dewhirst (I. J.), Do. 9¼pc Cnv '96-01, Freemans, Vantona Viyella, Habitat Mothercare, Wigfall (H)
ELECTRICALS (1)
Whitworth Elect
ENGINEERING (7)
BM Group, Porter Chadburn, Castings, Triplex, Licker (T.), Woodhouse & Rixson, Do. A
FOODS (7)
Bejam, Fitch Lovell, Cullen's Hldgs, Matthews (B), England (J. E.), Northern Foods, FII
HOTELS (1)
Midsummer Inns
INDUSTRIALS (15)
Assoc Brit Eng 8pc Cum Rd Prf, Havelock Europa, Johnson Matthey, Assoc Heat Services, Lawtex, Bestwood, Norcros, Crean (J.), Office & Elect, Euro Ferries Pref, Spring Ram, Ferguson Indl, Steetley, Flexello Castors, Wolseley-Hughes, London United
INSURANCE (1)
LEISURE (3)
LWT, Pleasurama 7pc Cum Rd Prf, TVS N/V
MOTORS (3)
Armstrong Equipment, Kwik-Fit, Supra
NEWSPAPERS (2)
Fleet Hldgs, Independent
PAPER (2)
Clondalkin, DRG
PROPERTY (7)
Gable House Prop, Rosehaugh, Land Investors, Stock Conversion, Lon & Edinburgh Trust, Toos Estates, Trencherwood
TEXTILES (1)
Notts Manufacturing
TRUSTS (2)
Scottish American Inv, Baltic
OILS (2)
Century Oils, Saxon Oil
MINES (5)
Emu Hill Gold, Sons of Gwalia N.L., Hawk Invs, Western Continental, Pelsart Res N.L.

NEW LOWS (22)

BRITISH FUNDS (1)
Treas 9¼pc 2002 (£25 pd)
AMERICANS (2)
Derma-Lock Medical, IU Intl
BUILDINGS (3)
Access Satellite, Tarriff Corpn, Feb Intl
CHEMICALS (1)
Hickson Intl
ELECTRICALS (3)
DBE Technology, STC, Greenwich Cable Comms
ENGINEERING (1)
Bailey (C. H.)
FOODS (1)
Avana
INDUSTRIALS (4)
Baxter Travenol, London & Northern, Benlox, Ranco Oil
SHIPPING (1)
Sea Containers
TEXTILES (1)
Beckman (A)
TRUSTS (1)
Plantation Trust Warrants
MINES (3)
S. African Land, MJM Hldgs, Gold & Base

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	Price/Earnings ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −
[illegible]							
25	Nil	24/9	8pm	3pm	Nolton	[illegible]	
230	Nil	—	45pm	40pm	Oceana Dev. Inv. Tst.	[illegible]	
120	F.P.	30/8	143	123	Prestwich	143	
25	Nil	20/9	80pm	20pm	TACE 10p	[illegible]	
400	F.P.	20/9	520	465	Siebe	517	
250	Nil	23/9	60pm	35pm	✻Thermal Scientific	[illegible]	

Renunciation date usually last day for dealing free of stamp duty. [illegible] based on prospectus estimates. g Assumed dividend and yield. [illegible] dividend cover based on previous year's earnings. ‡ Indicated dividend [illegible] relates to previous dividend, P/E ratio based on latest annual earnings. [illegible] unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of [illegible] shares as a "rights." ** Issued by way of capitalisation. §§ Reint[illegible] ¶¶ Issued in connection with reorganisation merger or takeover. ▇ [illegible] letters or fully paid. ‖‖ Introduction. ✻ Unlisted Securities Market. [illegible] price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4).

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 19	Sept 6	Nov 21	Dec 2
Sept 9	Sept 20	Dec 5	Dec 16
Sept 23	Oct 4	Dec 19	Dec 30

For rate indications see end of Share Information Service

Stocks favoured for the call included Dufay Bitumastic, Ultramar, Spring Ram, Aberdeen Steak Houses, Ashley Industrial Trust, STC, Combined Technologies, Osceola, Atlantic Resources, Kia Ora Gold, Arlen Electrical, Chloride, Sound Diffusion, Stroud Riley Drummond, G. M. Firth, Breagreen, Bowater, Samuelson, Amstrad, Logica, Racal, Flogas and Petranol. No puts were reported, but a double was transacted in Sound Diffusion.

RISES AND FALLS

	Rises	Falls	Same
British Funds	4	32	10
Corpns. Dom. and Foreign Bonds	5	11	62
Industrials	387	168	912
Financial and Props.	138	30	284
Oils	31	11	82
Plantations	0	0	12
Mines	70	86	82
Others	78	51	110
Totals	713	389	1,654

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Aug 20 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Aug 19 Index No.	Fri Aug 16 Index No.	Thurs Aug 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	532.83	+1.1	10.61	4.16	11.88	10.52	526.88	528.14	529.92	504.06
2	Building Materials (22)	558.66	+0.8	11.80	4.74	10.50	11.92	554.47	557.85	547.00	459.80
3	Contracting, Construction (29)	832.20	−0.1	11.98	4.96	10.77	17.54	832.79	837.04	828.84	681.96
4	Electricals (14)	1399.28	+0.3	11.43	5.28	11.09	33.14	1395.78	1383.55	1377.55	1591.32
5	Electronics (38)	1454.13	+1.0	10.47	3.18	12.60	27.30	1439.87	1456.88	1463.90	1791.60
6	Mechanical Engineering (62)	292.95	+1.4	11.11	4.77	11.00	6.15	289.05	288.88	288.28	248.85
8	Metals and Metal Forming (7)	205.28	+2.1	12.21	7.65	10.30	4.13	201.15	200.72	201.44	185.14
9	Motors (16)	165.73	+1.0	13.40	5.14	9.23	3.55	164.07	164.64	162.53	120.71
10	Other Industrial Materials (18)	943.15	+2.0	7.40	3.55	16.35	15.81	924.40	933.61	948.31	685.49
21	CONSUMER GROUP (176)	677.15	+0.8	9.46	3.86	13.18	12.36	671.93	672.41	673.78	514.08
22	Brewers and Distillers (24)	660.14	+1.2	10.71	4.41	11.80	13.81	652.07	652.58	646.85	517.88
25	Food Manufacturing (21)	489.04	+0.4	12.13	4.98	10.59	13.09	487.16	485.86	484.92	391.85
26	Food Retailing (14)	1615.61	+0.4	5.68	2.58	23.40	16.93	1609.19	1604.87	1599.66	1196.17
27	Health and Household Products (9)	1068.16	+1.3	6.34	2.78	18.53	11.95	1054.93	1059.85	1065.17	868.38
29	Leisure (22)	660.60	+0.4	8.54	4.97	15.33	20.79	658.15	658.57	658.26	576.05
32	Newspapers, Publishing (12)	1834.42	+0.2	8.41	4.23	15.31	37.91	1831.19	1788.10	1789.47	1292.46
33	Packaging and Paper (14)	364.90	+0.2	9.71	4.05	12.22	6.20	364.18	363.37	362.32	245.41
34	Stores (41)	681.61	+0.7	7.34	3.11	18.55	9.53	676.62	680.20	685.36	434.62
35	Textiles (16)	325.58	+0.9	13.42	5.05	8.45	7.97	322.62	321.78	320.77	267.91
36	Tobaccos (3)	794.14	+0.9	18.60	5.42	6.09	18.71	786.80	786.58	801.52	692.91
41	OTHER GROUPS (101)	685.53	+0.4	9.25	4.13	13.99	14.13	682.50	682.09	678.15	454.51
42	Chemicals (19)	669.69	+1.1	14.66	5.65	9.82	24.95	662.35	662.68	666.26	597.91
44	Office Equipment (4)	203.94	+0.1	7.84	4.31	15.22	3.64	203.73	202.97	204.40	140.66
45	Shipping and Transport (12)	1177.83	+0.7	8.13	4.43	15.27	25.71	1168.89	1173.25	1169.91	863.10
46	Miscellaneous (64)	842.07	+0.5	7.47	3.78	16.36	14.86	838.23	837.56	830.27	632.96
48	Telephone Networks (2)	892.31	+0.1	8.33	3.64	16.01	14.38	891.10	889.90	881.00	0.0
49	INDUSTRIAL GROUP (483)	649.07	+0.8	9.69	4.01	13.03	12.50	644.09	644.59	644.75	507.27
51	Oils (17)	1136.67	+0.9	16.51	7.39	7.45	39.47	1126.77	1133.12	1133.79	1053.15
59	500 SHARE INDEX (500)	690.18	+0.8	10.57	4.44	11.88	14.68	684.79	685.75	685.96	552.99
61	FINANCIAL GROUP (115)	490.28	+1.0	—	4.89	—	12.39	485.19	486.91	488.71	387.13
62	Banks (6)	489.27	+1.8	18.32	6.05	7.80	19.80	480.78	481.70	484.39	365.14
65	Insurance (Life) (9)	769.37	+0.1	—	4.22	—	14.71	768.70	770.58	767.39	546.51
66	Insurance (Composite) (7)	379.77	+1.2	—	5.17	—	8.53	375.28	379.03	384.33	282.37
67	Insurance (Brokers) (7)	1127.89	+1.8	8.47	3.67	15.80	21.02	1107.76	1112.13	1114.89	844.10
68	Merchant Banks (11)	232.14	+0.5	—	4.80	—	4.92	231.08	230.30	230.30	202.82
69	Property (50)	661.23	+0.3	5.63	3.61	23.84	9.88	659.11	662.79	664.94	586.59
70	Other Financial (25)	279.75	+1.8	10.11	5.83	12.07	8.14	274.70	273.72	272.75	246.48
71	Investment Trusts (106)	585.46	+0.1	—	3.65	—	10.05	584.58	584.80	583.61	507.66
81	Mining Finance (3)	258.67	+3.6	12.55	5.92	9.25	5.36	249.68	250.08	252.38	275.67
91	Overseas Traders (14)	599.42	+0.7	12.54	6.64	9.56	23.86	595.08	595.71	596.59	561.51
99	ALL-SHARE INDEX (738)	632.16	+0.8	—	4.51	—	13.81	626.94	628.80	628.53	510.64

	Index No.	Day's Change	Day's High	Day's Low	Aug 19	Aug 16	Aug 15	Aug 14	Aug 13	Year ago
FT-SE 100 SHARE INDEX	1307.1	+12.2	1307.9	1299.5	1294.9	1299.1	1302.2	1293.1	1285.1	1082.4

FIXED INTEREST

	PRICE INDICES	Tues Aug 20	Day's change %	Mon Aug 19	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	[illegible]				
2	5-15 years	[illegible]				
3	Over 15 years	[illegible]				
4	Irredeemables	[illegible]				
5	All stocks	[illegible]				
6	Debentures & Loans	[illegible]				
7	Preference	[illegible]				
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	[illegible]				

	AVERAGE GROSS REDEMPTION YIELDS	Tues Aug 20	Mon Aug 19	Year ago (approx.)
	British Government			
1–15	[illegible]	[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bejam	183	+15
Bell (A.)	265	+ 9
Britoil (partly-paid)	136	+ 3
Delta	145	+ 4
GKN	227	− 1
Hickson Intl.	357	−28
Intl. Sig. & Control	290	+13
Logica	180	+30
Natwest Bank	662	+10
Nortamber	170	+23
Racal Elects	158	—
Tricentrol	190	+ 3

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Bell (Arthur)	14	256	− 6
TI	13	388	− 9
Fleet Holdings	12	323	+13
Amstrad	11	92	+10
Parkfield	11	125	−12
Saxon Oil	11	480	−30
BAT Inds	10	298	—
Brit Aero†	10	187	+ 2
BET Dfd	10	315	+ 5
Grand Met	10	315	—
Ultramar	10	205	+ 5
Vosper	10	188	+19

† Partly-paid

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 33,392

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*536)	460	88	—	—	3	—	—
	500	48	70	77	8	12	18
	550	16	32	43	28	30	37
	600	5	13	—	65	68	—
Cons. Gold (*434)	390	52	65	75	8	15	20
	420	32	50	60	23	[illegible]	[illegible]
	460	13	30	42	56	[illegible]	[illegible]
	500	7	14	22	87	[illegible]	[illegible]
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Lonrho (*156)	140	17	23	26	1½	2	[illegible]
	160	1½	10	15	6	9	[illegible]
	180	1	3½	7	25	26	[illegible]
P. & O. (*393)	330	63	70	73	2	3	[illegible]
	360	33	42	48	2	7	[illegible]
	390	6	19	28	5	20	[illegible]
[illegible]							

Aug. 20 Total Contracts 7,711. Calls 5,978. Puts 1,733.

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Aug. 20	Price Sch%	+ or —
Creditanstalt	378	+15
Goesser	601	+2
Interunfall	1,700	+40
Laenderbank	364	+8
Perlmooser	568	+5
Steyr-Daimler	177	+3
Veitscher Mag	545	—5

BELGIUM/LUXEMBOURG

Aug. 20	Price Frs.	+ or —
B.B.L.	2,000	—10
Banq. Gen Lux	6,970	+20
Banq. Int. A. Lux	6,620	+20
Bekaert B.	6,440	+40
Ciment CBR	2,480	+230
Cockerill	212	......
Delhaize	7,750	—5
EBES	2,860	—5
Electrobel	8,500	+20
Fabrique Nat	1,930	+10
GB Inno BM	3,625	—15
GBL (Brux)	1,925	+35
Gevaert	3,900	......
Hoboken	5,300	+100
Intercom	2,195	+5
Kredietbank	8,900	......
Pan Hldgs.	9,950	......
Petrofina	5,870	+70
Royale Belge	12,250	......
Soc. Gen. Banq	3,400	+20
Soc. Gen. Belge	1,795	+25
Sofina	7,600	......
Solvay	4,870	+135
Stanwick Intl	1,300	......
Tractionel	3,760	—20
UCB	5,000	+15
Wagon Lits	3,100	+40

DENMARK

Aug. 20	Price Knr %	+ or —
Andelsbanken	333	......
Baltic Skand	720	+15
CopHandelsbank	317	—3
D. Sukkerfab	525	+5
Danske Bank	366	+1
De Danske Luft	1,285	......
East Asiatic	275	+5
Forenede Brygg.	945	......
Forenede Damp.	179	+1
GNT Hldg	500	+12
I.S.S.B.	550	......
Jyske Bank	750	—5
Novo Ind s	1,360	+20
Privatbanken	331	......
Provinsbanken	398	—2
Smidth (F.L.) B	287	+4
Sophus Berend	935	—198
Superfos	388	+13

FRANCE

Aug. 20	Price Frs.	+ or —
Emprunt 4½% 1973	1,619	—9
Emprunt 7% 1973	8,470	—45
Accor	255.2	—2.8
Air Liquide	575	—7
BIC	485.1	—1.9
Bongrain	1,740	......
Bouygues	790	+15
BSN Gervais	2,156	......
CIT-Alcatel	1,194	+14
Carrefour	2,290	—9
Club Mediter'n	512	—4
Cie Bancaire	628	+2
Cofimeg	287	+3
Damart	1,905	......
Darty	1,420	+1
Dumex S.A.	810	+2
Eaux (Cie Gen)	611	—10
Elf-Aquitaine	193.5	+2.5
Essilor	2,175	—45
Gen.Occidentale	719	......
Imetal	88	—2.1
Lafarge Coppee.	521	+7
L'Oreal	2,235	+4
Legrand	2,048	—52
Maisons Phenix	180.1	......
Matra S.A.	1,685	+10
Michelin B	1,111	—27
Midi (Cie)	2,970	......
Moet-Hennessy	1,810	—9
Moulinex	81.9	+4
Nord Est	95.5	+2.5
Pernod Rica	691	—3
Perrier	480	+5.5
Petroles Fra	225	......
Peugeot S.A	368.5	+7.5
Printempts Au	276.5	—0.5
Radiotech	291	—4
Redoute	1,465	+4
Roussel-Uclaf	1,494	—7
Sefimeg	347	......
SkisRossignol	1,370	—5
Telemec Elect	2,595	+5
Thomson CSF	537	+1
Valeo	222.3	+2.3

GERMANY

Aug. 20	Price Dm.	+ or —
AEG-Telef	131.5	+1.2
Allianz Vers	1,361	+1
BASF	222.3	+2.5
Bayer	222.2	+1.7
Bayer-Hypo	367	+6
Bayer-Verein	394	+12
BHF-Bank	316	—0.5
BMW	428	+2.5
Brown Boveri	225.5	......
Commerzbank	205	+2
Cont'l. Gummi	145	......
Daimler-Benz	887	+11.8
Degussa	367	+1.2
D'sche Babcock	157.5	—0.5
Deutsche Bank	551	+1
Dresdner Bank	268	+2
GHH	171.5	+2.7
Hochtief	700	+10
Hoechst	218.5	+3.6
Hoesch Werke	111	+0.9
Holzmann (P)	448xd	—11
Horten	186	+1
Hussel	341	+25
Karstadt	251	+6
Kaufhof	275	+2
KHD	274.5	......
Kloeckner	63.5	+1
Linde	497.5xr	—2.5
Lufthansa	222.5	+1
MAN	160.5	......
Mannesmann	190.5	+2
Mercedes Hld	804	+12
Metallgesell	256	......
Muench Rueck	1,710	......
Nixdorf	537	—1.1
Porsche	1,265	—10
Preussag	274	......
Rhein West Elect	187.8	+2.3
Rosenthal	252	......
Schering	462	—1
Siemens	532	+1.3
Thyssen	121.2	+2
Varta	217	—0.5
Veba	235	+2
V.E.W.	144.5	+1
Verein-West	332	—1
Volkswagen	313.2	+3.2

ITALY

Aug. 20	Price Lira	+ or —
Banco Com'le	23,890	+540
Bastogi-IRBS	237.7	+8.2
B.I-Invest	5,500	......
Centrale	3,340	+175
Credito Varesino	4,600	+90
Fiat	4,110	+99
Finsider	—	......
Generali Assicur.	56,200	+460
Italcementi	45,500	......
La Rinascente	863	—7
Montedison	2,158	+97
Olivetti	6,395	+125
Pirelli Co	5,250	+50
Pirelli Spa	3,009	—35
Saipem	6,100	+119
Snia BPD	3,290	+30
Toro Assic	17,400	+200
do Pref	13,300	+600

NETHERLANDS

Aug. 20	Price Fls	+ or —
ACF Holding	248.5	—1
AEGON	101.2	+3.8
Ahold	241.5	+2.5
AKZO	124	+2
ABN	508.5xr	—3.5
AMEV	376	+1.8
AMRO	88.3	+1.8
Bredero Cert	172	+3
Bos Kalis Westm.	17	......
Buehrmann-Tet.	106.7	+0.7
Calland Hldgs.	37.5	—0.4
Dordtsche Pet'm	171.5	+3
Elsevier NDU	131.3	+0.3
Fokker	82	—1
Gist Brocades	217	+3.5
Heineken	160.6	+1.8
Hoogovens	62.8	+0.8
Int Mueller	60.2	+1
KLM	59.5	+0.4
Naarden	49.4	+0.1
Nat Ned Cert	78.1	+0.9
Ned Mid Bank	216.8	+6.8
Nedlloyd	176.8	+1.8
Oce Grinten	337	+2
Ommeren (Van)	29.1	+0.4
Pakhoed	67.4	—0.1
Philips	46.7	+1.2
Robeco	75.1	+0.4
Rodamco	132.6	—0.3
Rolinco	68.3	......
Rorento	46.8	+0.7
Royal Dutch	188	+2.4
Unilever	329	+3
VMF Stork	245.3	......
VNU	216	—0.5
Wessanen	172	+1
West Utr Bank	102.2	+0.2

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Aug. 20	Price Kroner	+ or —
Bergens Bank	143.5	+1
Borregaard	415	—3
Christiania Bank	139.3	+0.3
DenNorske Cred	144.5	—0.5
Elkem	131	......
Kosmos	230	—7
Kvaerner	167.5	+2.5
Norsk Data	365	+10
Norsk Hydro	108.5	+1
Storebrand	275	—1

SPAIN

Aug. 20	Price Pts%	+ or —
Bco Bilbao	356	+7
Bco Central	315	......
Bco Exterior	201	—1
Bco Hispano	148	......
Bco Popular	340	......
Bco Santander	344	......
Bco. Vizcaya	443	—1
Dragados	140.2	—0.5
Hidrola	79	—0.7
Iberduero	92.7	—0.3
Petroleos	129	—2
Telefonica	117	—0.5

SWEDEN

Aug. 20	Price Kronor	+ or —
AGA	114	+1
Alfa-Laval B	185	—2
ASEA (Free)	293	—2
Astra (Free)	405	—5
Atlas Copco	107	......
Cardo (Free)	232	—3
Cellulosa	127	......
Electrolux B	274	—1
Ericsson B	217	—3
Esselte	357	—3
Mo och Domsjo	167	—1
Pharmacia	184	+1
Saab Scania Free	405	......
Sandvik	485	+5
Skandia	338	—2
Skan Enskilda	83.5	—2
SKF	214	—6
St Kopparbergs	145	......
Sonesson	152	+1
Sven Handlesbn	171	......
Swedish Match	186	+1
Volvo B (Free)	230	—5

SWITZERLAND

Aug. 20	Price Frs.	+ or —
Adia Intl	3,600	+70
Alusuisse	810	+2
Bank Leu	3,875	+25
Brown Boveri	1,670	—10
Ciba Geigy	3,300	......
do. (Part Certs)	2,535	......
Credit Suisse	3,025	+30
Elektrowatt	3,350	+65
Fischer (Geo.)	870	—20
Hoff-Roche PtCts	94,500	+1,000
Hoff-Roche 1/10	9,450	+75
Jacobs Suchard	6,610	+10
Jelmoli	2,800	+100
Landis & Gyr	1,970	+30
Nestle	7,000	+125
Oer-Buehrle	1,430	—10
Pirelli	351	—2
Sandoz (Br)	8,700	—75
Sandoz (PtCts)	1,370	......
Schindler (PtCts)	920	+20
Sika	1,540	......
Surveillance A	5,440	+75
Swissair	1,460	+20
Swiss Bank	477	+3
Swiss Reinsce	13,200	+300
Swiss Volksbk	1,770	+20
Union Bank	4,280	+25
Winterthur	4,540	+50
Zurich Ins	5,675	+75

AUSTRALIA

Aug. 20	Price Aust $.	+ or —
ANZ Group	5.04	—0.06
Alliance Oil Dev.	1.05	......
Ampol Pet	2.10	......
Ashton	1.17	......
Aust. Cons. Ind.	3.8	......
Aust. Guarantee	2.82	......
Aust. Nat. Inds	2.65	—0.05
APM	2.9	+0.02
Bell Group	6.00	+0.08
Bell Res	7.2	......
Bond Corp Hldgs	1.72	+0.12
Boral	3.51	......
Bougainville	1.9	—0.05
Brambles Inds	3.98	—0.02
Bridge Oil	2.6	+0.05
B.H. Prop	7.2	+0.06
CRA	5.84	+0.04
CSR	3.1	—0.02
CastlemaineTys	7.5	......
Coles (G.J.)	4.06	......
Comalco "A"	1.92	......
Consolidated Pet	0.34	+0.01
Costain Aust.	2.05	......
Dunlop Olympic	2.82	—0.02
Elders IXL	3.15	......
Energ Res	1.53	—0.06

AUSTRALIA (continued)

Aug. 20	Price Aust.$	+ or —
Gen. Prop. Trust	2.24	......
Hardie (James)	3.23	+0.03
Hartogen Energy	2.22	......
Herald W'yTimes	4.8	—0.05
ICI Aust	2.14	—0.08
Jimberlana F.P.	0.27	+0.01
Kia Ora Gold	0.17	......
Lend Lease	6.88	—0.52
MIM	2.68	—0.1
Mayne Nickless	3.2	—0.01
Myer Emporium	3.36	+0.01
Nat. Aust. Bank	4.65	......
News	6.9	+0.1
Nicholas Kiwi	2.0	+0.05
North Bkn Hill	2.42	......
Oakbridge	1.25	+0.01
Pancontinental	2.17	+0.02
Pioneer Conc	2.01	—0.01
Poseidon	4.6	......
Queensland Coal	1.72	+0.02
Reckitt & Colman	3.8	—0.01
Repco	1.34	+0.02
Santos	6.9	+0.05
Smith (Howard)	5.54	+0.24
Thos. Natwide	2.25	—0.01
Tooth	5.76	—0.04
Vamgas	4.0	+0.05
Western Mining	4.23	—0.04
Westpac Bank	4.7	+0.08
Woodside Petrol	1.3	......
Woolworths	3.43	—0.05
Wormald Intl	3.95	—0.02

HONG KONG

Aug. 20	Price H.K.$	+ or —
Bank East Asia	23	—0.1
Cheung Kong	19.1	—0.3
China Light	16.1	—0.1
Evergo	0.9	......
Hang Seng Bank	46	—1
Henderson Land	2.10	......
HK China Gas	10.8	—0.2
HK Electric	8.4	—0.05
HK Kowloon Wh.	7.25	—0.15
HK Land	6.5	—0.05
HK Shanghai BK.	7.65	—0.1
HK Telephone	9.25	—0.2
Hutchison Wpa	29.1	—0.2
Intnl. City	0.97	—0.02
Jardine Math	13.2	—0.3
New World Dev.	7.95	+0.1
Orient O'seas	2.0	......
SHK Props	13.7	—0.2
Shell Elect	1.3	......
Swire Pac A	26	—0.3
TV—B	7.6	—0.05
World Int. Hldgs.	2.32	—0.08

JAPAN

Aug. 20	Price Yen	+ or —
Ajinomoto	1,220	+30
Alps Electric	1,320	—30
Amada	768	—12
Asahi Chem	885	—12
Asahi Glass	818	—2
Bridgestone	535	+4
Canon	955	—11
Casio Comp	1,530	......
Chugai Pharm	916	......
Citizen	400	+2
Daiei	670	......
Dai Nippon Ptg	1,070	......
Daiwa House	839	—4
Ebara	455	+1
Eisai	1,390	+20
Fanuc	7,360	—110
Fuji Bank	1,590	+10
Fuji Film	1,970	—10
Fujisawa	895	—4
Fujitsu	905	—1
Green Cross	2,220	—100
Hasegawa	540	—15
Heiwa Real Est	799	+1
Hitachi	701	—2
Hitachi Credit	1,070	—30
Honda	1,410	—20
House Food	766	—5
Hoya	1,790	—10
Itoh (C)	432	+5
Ito. Yokado	2,770	+10
Iwatsu	800	—2
JACCS	348	......
JAL	5,500	—100
Jusco	850	+3
Kajima	465	—6
Kao Soap	850	......
Kashiyama	720	—5
Kirin	695	+8
Kokuyo	940	......
Komatsu	528	+4
Konishiroku	686	+9
Kubota	360	+5
Kumagai	813	+5
Kyocera	5,550	—90
Maeda Const	915	+3
Makino Milling	879	+14
Makita	965	......
Marubeni	380	—5
Marudai	666	......
Marui	1,380	—50
MEI	1,300	—10
M'ta Elec Works	880	—2
M'bishi Bank	1,600	......
M'bishi	634	+1
M'bishi Elec	353	—1
M'bishi Estate	913	—4

JAPAN (continued)

Aug. 20	Price Yen	+ or —
[illegible]	[illegible]	[illegible]

SINGAPORE

Aug. 20	Price S$	+ or —
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Aug. 20	Price Rand	+ or —
[illegible]	[illegible]	[illegible]

CANADA

TORONTO

Prices at 2.30pm August 20

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices August 19

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Indices

NEW YORK—DOW JONES

	Aug 20	Aug 19	Aug 16	Aug 15	Aug 14	Aug 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trading vol	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

STANDARD AND POORS

	[illegible]
Industrials	[illegible]
Composite	[illegible]

N.Y.S.E. ALL COMMON

	[illegible]
[illegible]	[illegible]

RISES AND FALLS

	[illegible]
Issues traded	[illegible]
Rises	[illegible]
Falls	[illegible]
Unchanged	[illegible]

New York Active Stocks

	[illegible]
[illegible]	[illegible]

Advances 810 Declines 591

TORONTO	Aug 20	Aug 19	Aug 16	Aug 15	1985 High	1985 Low
Metals & Minls	[illegible]	[illegible]	[illegible]	[illegible]	2198.7 (13/2)	1986.8 (4/1)
Composite	2,771.4	[illegible]	2,781.5	[illegible]	2804.5 (28/7)	2348.5 (8/1)
MONTREAL Portfolio	134.53*	135.68	138.11	138.49	139.33 (19/7)	117.90 (4/1)

* Indicates pre-close figure

	Aug 20	Aug 19	Aug 16	Aug 15	1985 High	1985 Low
AUSTRALIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND Swiss Bank Cpn. (31/12/58)	485.4	481.5	481.6	481.5	488.1 (8/7)	386.7 (3/1)
WORLD Capital Intl. (1/1/70)	u	218.2	217.8	218.5	224.3 (17/7)	184.6 (4/1)

* Indicates pre-close figure ** Saturday August 10 Japan Nikkei Dow (c) TSE (c) Base values of all indices are 100 except Australia All Ordinary and Metals - 500 NYSE All Common - 50 Standard and Poors - 10 and Toronto Composite and Metals - 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u Unavailable

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 31

Stock	Sales (Hnds)	High	Low	Last	Chng
Numeric .88	43	29¼	27¾	29¼	+1¼
RadmT	84	11½	11	11	— ¾
Radion	20	8¼	8¼	8¼	+ ¼
Ragen	46	5	4¾	5	+ ⅛
SmithL	162	2⅝	2⅜	2½	
Society 1.84	35	46½	46	46	
SoctySv	400	21⅜	21	21⅛	+ ⅛
UACms .08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UBAlsk .15r	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UBCol 1.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

BSR Int	68	+ 6
BTR	353	+10
Baltic	260	+15
Barclays	397	+ 9
Beecham	345	+12
Bejam	183	+15
Bell (A)	265	+ 9
Booker McCon	273	+11
Canning (W)	94	+10
Consgold	435	+18
Distillers	301	+10
Hampton Areas	150	+ 7
Henderson Ad	800	+40
Johnson Mat	118	+ 8
Kwik-Fit	53	+ 5
Lloyds Bank	429	+11
Logica	180	+30
Lasmo	278	+18
Northamber	170	+23
Office & Elec	248	+18
RTZ	575	+18
Saxon Oil	540	+60
Sharpe (C)	545	+45
Standard Chart	472	+20
Ultramar	213	+ 8

FALLS

Ex 12½pc 1994	£109	— ½
Amstrad	84	— 8
Blue Circle	498	—11
Hickson Int	357	—28
McAlpine (A)	244	—20

Prices at 3pm, August 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅜	16	AAR	.56	2.6	14	440	21¼	20¾	21¼	+1
17⅜	9¾	AGS			13	26	16	15⅞	15⅞	−½
16½	9⅝	AMCA				7	12	12	12	
21½	13	AMF	.25i		96	887	13½	13⅜	13½	+⅛
50¾	24⅞	AMR			8	3857	48¾	48⅛	48¾	+¾
23¼	18⅝	AMR	pf2.18	9.5		40	23¼	23	23	
22	19	ANR	pf2.12	10.		6	20½	20¼	20¼	−¾
14¼	7⅜	APL				9	9⅝	9⅝	9⅝	−⅛
61⅛	42⅛	ASA		25.0		1770	42¼	d39¾	40⅝	−1
27	12½	AVX	.32	2.3	20	87	14	13⅝	13⅞	
28⅛	17⅞	AZP	2.72	11.	7	639	25	24¾	24¾	−¼
60	36¾	AbtLab	1.40	2.5	15	936	55⅝	54⅞	55⅝	
25⅞	20	AccoWd	.50	2.2	17	184	22¾	22⅜	22⅜	−⅜
24¾	12½	AcmeC	.40	2.7		37	14⅞	14⅝	14¾	
10½	7⅜	AcmeE	.32b	4.1	11	10	7¾	7¾	7¾	
19	15½	AdaEx	1.92e	11.		54	17¾	17½	17⅝	+⅛
20	13½	AdmMl	.32	1.9	7	5	17	16¾	16⅞	+⅛
19	8⅝	AdvSys	.53t	4.5	19	87	11⅞	11⅝	11⅞	+¼
41⅛	22⅝	AMD			17	3503	29⅝	28¼	29⅛	+½
12⅛	6⅞	Advest	.12	1.3	20	210	9¼	9	9	−⅜
15⅞	9½	Aerflex			13	85	14	13⅞	14	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
74	54½	PhilE pf9.50		14.		z100	70½	70	70	−2
60½	46	PhilE pf7.80		13.		z280	58½	58	58½	
60	46½	PhilE pf7.75		14.		z200	57	57	57	+1
23¼	15¼	PhilSub	1.32	6.0	13	42	21⅞	21⅝	21⅞	+⅜
95⅛	72½	PhilMr	4	4.9	10	2182	81⅝	81	81⅝	+¾
25⅞	13¾	PhilpIn	.60	2.5	14	58	24½	24¼	24⅝	
62	33½	PhilIn pf	1	1.7		2	60	60	60	−⅞
18¾	11¼	PhilPt s	1	8.1	8	6877	12⅜	12⅛	12⅜	+¼
24⅛	22¾	PhlPt pf1.04e		4.4		275	23⅞	23⅝	23¾	
28½	20⅜	PhilVH	.40	1.6	11	118	24⅝	24½	24½	
35⅝	23¾	PiedA s	.28	.9	9	500	33	32¾	32¾	+⅛
34	24⅜	PieNG	2.32	7.6	9	8	31	30½	30½	−⅜
26⅛	14⅜	Pier 1			16	140	24¼	23¾	24¼	+⅝
56⅝	36⅝	Pilsbry	1.56	3.0	12	1337	51⅜	51	51¼	+¼
34	22¾	Pioneer	1.24	5.0	5	1207	24⅝	24½	24⅝	+⅛
26¾	13½	PionrEl	.17r	1.1		3	15⅛	15¼	15¼	−⅛
45½	29⅞	PitnyB	1.20	3.0	11	462	40⅛	39½	39⅞	−¼
13⅞	9⅜	Pittstn				450	11⅞	11⅝	11⅝	−⅛
16⅝	8⅝	PlanRs	.20	1.3	16	265	15⅝	15½	15½	
13½	7	Plantrn	.16b	1.5	16	21	10½	10½	10½	+⅛
13⅝	8⅝	Playboy			12	1	8¾	8¾	8¾	
22¾	14⅛	PogoPd	.60	4.3	33	181	14¼	14	14	−¼
33⅝	24¼	Polarid	1	3.2	122	519	32	31⅝	31⅝	
21	10¾	Pondrs	.40	.4	25	62	11⅜	11¼	11¼	−⅛
21½	15¼	PopTal	.80	4.5		132	17¾	17½	17⅝	−⅜
22¾	14⅝	Portec	.40	1.8	38	25	22½	22½	22½	
21⅞	14⅜	PortGE	1.90	9.7	8	472	19⅝	19⅜	19½	
24⅞	18½	PorG pf2.60		11.		6	24	23¾	24	+1
35⅝	30	PorG pf4.40		13.		21	34⅜	33⅞	33⅞	−⅛
34⅝	29	PorG pf4.32		13.		6	33¾	33⅝	33⅝	+⅛
38⅛	28	Potlch	1.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

AMEX COMPOSITE PRICES

Prices at 3pm, August 20

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 29

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Measured reaction to GNP figures

THE SUBSTANTIAL, and unexpected, upward revision in the Commerce Department's estimates of GNP growth for the second quarter failed to ignite Wall Street yesterday, *writes Terry Byland in New York.*

The stock market flicked higher at the opening, but turnover remained thin, and prices soon lost their shine.

At the close the Dow Jones industrial average was up 11.20 at 1,323.70.

Market analysts doubted if the revised GNP estimates provided convincing evidence of a rebound in the economy in the second half of the year. The Commerce Department report also disclosed a substantial upward revision in inventories, which some analysts fear may dampen growth in the third quarter, thus delaying the recovery awaited by Wall Street. Moreover, the report confirmed stock market apprehensions by disclosing a 0.4 per cent fall in corporate profits, seasonally adjusted, making five consecutive quarterly downturns.

The revised GNP estimates have followed a list of lacklustre economic data, including sluggish industrial production and personal income statistics, which have encouraged some market analysts to downgrade their estimates of economic and profits growth in the second half of the year.

The bond market opened with falls of about ⅛ of a point, in a half-hearted response to the GNP estimates. But, taking their cue from the foreign exchange markets, bonds quietened, and traders returned their attention to the day's meeting of the Fed's Open Market Committee and to the reported views of Mr Paul Volcker, the Fed chief, in a recent letter to Congress.

The leading market indices, as well as the mood of the market, were helped by firmness in IBM, which announced new computer peripheral products. At $126½, IBM gained $% in slow trading.

Most of the other big computer names brightened. Burroughs adding $% to $62%, Digital Equipment $% to $100% and NCR $¼ to $33¼.

A gain in the Dow transportation average owed more to the rail stocks than to the airlines. Burlington Northern, $% up at $61½, and Norfolk and Southern, $% up at $67½, were firm spots.

Pan Am, unchanged at $7%, and Eastern Air Lines, $% off at $10%, lost recent form. But at $48%, American Airlines again led the domestic carriers with a gain of $%.

The Detroit car makers, however, continued to lag behind the market. Thin trading saw General Motors still at the overnight price of $66%. Chrysler was also unchanged at $35% although Ford edged up $¼ to $43%.

The most active stock on the NYSE was Revlon, $¼ up at $45%, with more than 2m shares traded after the offer of $47.50, or $1.8bn, for the equity by Pantry Pride, down $¼ at $7¼.

The Pantry Pride offer is opposed by Revlon directors and follows a period of bid speculation in the stock of the cosmetics maker. But Revlon's market price indicated that Wall Street had not yet identified any white knight or rival bidder waiting in the wings.

In the financial sector, Genstar fell $1 to $23¼ as its bid for Canada Trustco developed. But U.S. thrift stocks appeared unaffected by reports of worsening problems at Community S&L, the Maryland savings and loan company.

Bank stocks were hesitant. BankAmerica dipped $% to $15½, and Bankers Trust eased $¼ to $66%.

Among retailers, disappointing profits from Federated Department Stores and May Department Stores brought further weakness. Federated edged up $% to $57½, retaining its recent gain in the face of lower earnings, while May, at $50%, also improved $¼.

But K mart tumbled $1% to $32% as the analysts' comments on the profits downturn brought on a bout of hefty selling. J. C. Penny, also reporting trading progress, held steady at $48¼.

Credit markets were helped by a steady federal funds rate at 7% per cent in the first half of the session. Treasury bill rates edged higher in the wake of the weekly auction, but commercial money rates were a shade lower.

Trading in the bond market remained at a low ebb as traders noted that Mr Paul Volcker had repeated that he expected economic growth to pick up in the second half. By midsession, bond prices recouped most of their early falls.

TOKYO

Low profile before data on recovery

ANXIETY over the speed of world economic recovery turned the Tokyo stock market lower yesterday despite heavy trading in large capital and shipping equities, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average shed 6.00 to 12,634.05, the first drop in six sessions. Turnover expanded from 382m to 522m shares, reflecting busy trading in large-capital issues. Declines led advances 415 to 358, with 148 issues unchanged.

Some investors kept a low profile, awaiting announcement of the revised report on the second-quarter U.S. gross national product (GNP) scheduled for today.

Large-capital issues attracted heavy buying amid increasing forecasts that the GNP figure would be revised downward, leading to lower interest rates.

Nippon Steel gained Y3 to Y179, topping the most active list with 70.33m shares traded. Mitsubishi Heavy Industries firmed Y19 to hit an all-time high of Y360 with the second biggest trading volume of 59.76m shares.

Some fiscal investment-related constructions drew popularity. Daisue Construction, a Y75 gainer on Monday, fell Y20 to Y380 on profit-taking with the third busiest volume of 14.97m shares. Shokusan Jutaku added Y10 to Y581, while Ohbayashi declined Y6 to Y413.

Ishikawajima-Harima Heavy Industries, fourth busiest with 14.72m shares, rose Y4 to Y190, Japan Steel Works, fifth with 14.06m shares, Y8 to Y276, Kawasaki Heavy Industries, also active, Y10 to Y203.

Some shippings came into the spotlight on reports that the Ministry of Transport would create a fund to buy surplus hulls to help the shipping industry out of the current recession. Showa Shipping closed Y11 higher at Y210 after climbing Y27 at one stage. Shinwa Kaiun lost Y20 to Y318

Sanko Steamship moved between Y12 and Y14, ending at Y14, up Y1, while Minebea was traded heavily on a possible merger with Sankyo Seiki Manufacturing but eased Y5 to Y700.

Bonds turned lower because of mounting concern over precariously high prices. Institutional investors and securities companies had continued buying since early last week on expectations of a downward revision of the U.S. GNP figure.

But they now feel that the upturn will stall if the revised GNP figure turns out between 1.3 and 1.5 per cent.

The yield on the 6.8 per cent government bond due in December 1994 rose from 6.205 per cent to 6.225 per cent.

HONG KONG

PROFIT-TAKING after Monday's records sent Hong Kong lower, and the Hang Seng index dropped 18.77 to end below the 1,700 level at 1,692.74.

Banks came under pressure. Bank of East Asia was 10 cents lower at HK$23, Hang Seng HK$1 at HK$46 and Hongkong Bank 10 cents at HK$7.65. Hang Seng will report its interim results on Friday and Hongkong Bank next Tuesday.

In properties, Cheung Kong lost 30 cents to HK$19.10, Hongkong and Kowloon Wharf 15 cents at HK$7.25, Hongkong Land 5 cents at HK$6.50 and Sun Hung Kai Properties 20 cents at HK$13.70.

SINGAPORE

WEAKER banks and industrials left Singapore mixed to lower in moderate trading. Interest was seen in selective speculative stocks only.

The Straits Times industrial index fell 3.91 to 754.88, and turnover dropped to 11.9m from 13.6m on Monday.

Banks were mostly lower with Malayan Banking off 20 cents at S$5.50 on expectations of disappointing results and OUB, which on Monday reported a drop in first-half earnings, shed 4 cents to S$2.57.

EUROPE

Interest rate cut forces a response

THE REALITY of lower interest rates began to be felt yesterday on the European bourses against a background of a firmer dollar and a patchwork of special corporate situations. Chemical and bank stocks were favoured.

Zurich, which languished in a holiday-soaked backwater on Monday, returned to post strong gains as foreign investors waded in on the back of a stronger dollar ahead of the U.S. growth data.

Several key sub-indices achieved record levels, while the broad-based Swiss Bank industrial index rose 4.9 to 465.4. Financials were particularly sought after, with large banks securing gains of up to SwFr 30 such as Crédit Suisse at SwFr 3,025. The smaller Baer Holding posted a SwFr 150 rise to SwFr 9,850.

Stores group Globus put on SwFr 400 to SwFr 6,200 in slender trading, while international favourites such as Nestlé found further support with a SwFr 125 jump to SwFr 7,000, a new high for the year.

Swissair added SwFr 20 to SwFr 1,460, just below its 1985 peak, while restaurant group Mövenpick was steady at SwFr 5,225 after results. Hoffmann–La-Roche gained SwFr 75 to SwFr 9,450 in a mixed chemicals sector.

Solid local and overseas support brightened up the bond market with interest rate optimism continuing to bolster underlying strength.

Frankfurt cast aside the doubts of the previous session about the Bundesbank's scale of interest-rate cuts as most of the retail banks moved to trim customer loan charges. Trading, however, remained light, was partly technical and largely confined to the first half of the day. The Commerzbank index recovered 9.8 to 1,413.9. By the afternoon, prices started to slip.

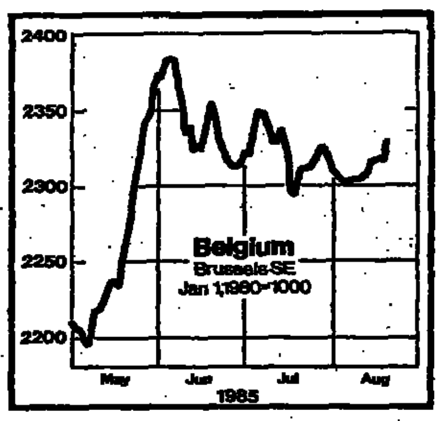
Banks closed higher but gave up most of their opening gains with the exception of Bayerische Vereinsbank which put on DM 12 to DM 394 after Monday's DM 8 setback. Dresdner ended DM 2 up at DM 266.

Domestic institutional buying combined with scattered overseas demand to buoy the chemicals sector again. Hoechst, due to release results tomorrow, led the blue chips with a DM 3.60 rally to DM 218.50, and Bayer firmed DM 1.70 to DM 222.20. Schering moved against the trend with a DM 1 decline to DM 462.

Retailers benefited from the lower interest rate moves, and Karstadt led the sector for the fourth consecutive session with a DM 6 jump to DM 251, a rise of DM 13.80 since Thursday. Kaufhof firmed DM 2 to DM 275.

Bond prices rose sharply on foreign buying inspired by lower interest rates. Gains of up to 55 basis points were achieved. The Bundesbank managed to channel DM 97.1m worth of domestic paper into the market compared with Monday's relatively meagre DM 19.2m.

West German corporate insolvencies rose 12.6 per cent to 6,783 in the first six months of this year, with building industry and service companies associated with it most affected.



The opening of a new account in **Brussels** took most sectors higher, but volume remained low. The Belgian Stock Exchange index rose 13.68 to 2,331.88.

Zinc producer Vieille Montagne gained further ground with a BFr 460 jump to BFr 7,710 while chemicals issues saw Solvay firm BFr 50 to BFr 4,570 and Tessenderlo BFr 80 rise to BFr 3,180. Market leader Petrofina made more progress with a BFr 70 advance to BFr 5,870.

Blue chips surged ahead in brisk **Milan** trading, with Montedison advancing L97 to L2,156, a new high for the year, on suggestions that a U.S. group had taken a significant stake in the chemical group.

Paris was barely changed, although **Amsterdam** managed a broad rise with bonds gaining ground. **Madrid** and **Stockholm** eased.

400th anniversary of Frankfurt bourse, Editorial comment, Page 10

AUSTRALIA

PRE-BUDGET fears were shrugged off in Sydney as strong demand for BHP took prices higher across the board.

More than 3m BHP shares worth over A$22m changed hands, and the price rose 6 cents to A$7.20. BHP has agreed to buy the Getty Oil stake in Chile's Escondida copper project.

In takeover situationals, Coal and Allied rose 18 cents to A$6.08 on continuing bid speculation from industrialist Howard Smith, up 26 cents at A$5.56.

After trade, the Australian Government announced it intended to cut the budget deficit and had recorded a rise in GDP for the year to June 30.

LONDON

DEMAND for electricals spilled over into other sectors in London where stocks staged a smart rally.

Sentiment was assisted by the higher than expected U.S. second-quarter GNP figures and local data which showed the UK economy growing at a rate of about 3 per cent.

The FT Ordinary share index pushed ahead to close 10.1 up at 982.2, its highest level since June 19.

Gilts opened ⅛ to ¼ easier, and after the U.S. GNP revision losses extended to about ½.

Chief price changes, Page 29; Details, Page 28; Share information service, Pages 26–27

CANADA

GOLD STOCKS tumbled from their recent highs as Toronto moved broadly lower.

Echo Bay traded down C$% at C$19%, Dome Mines C$% at C$12% and Lac Minerals C$¼ at C$34¼.

Canada Trustco added C$2 to C$44¼ as Genstar acquired a 27 per cent stake in the company and said it would make offers to all other Canada Trustco shareholders. Genstar lost C$1% to C$31¼.

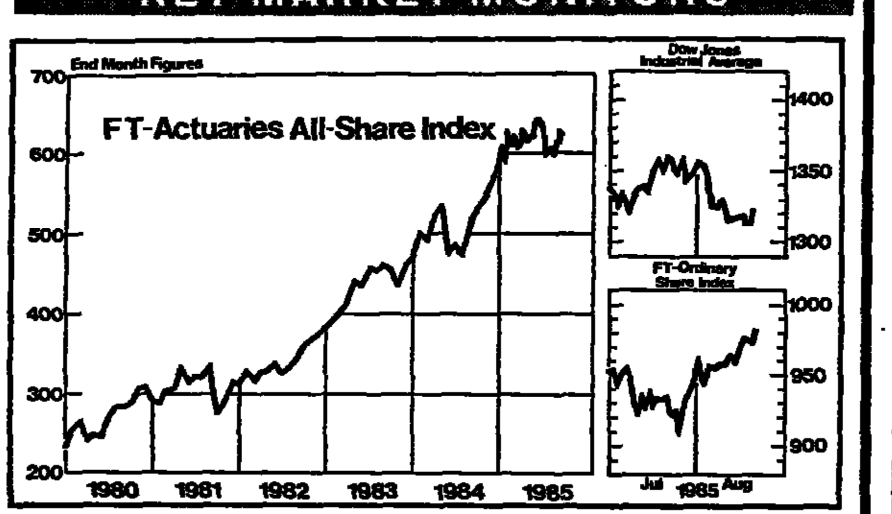
Utilities and banks moved higher in Montreal while industrials showed losses.

SOUTH AFRICA

FURTHER CUTS in prime lending rates had no immediate impact in Johannesburg where most shares followed golds to end lower.

However, Gold Fields SA gained R1 to R33 after reporting higher profits in the year to June 30, Abercrom Group shed 5 cents to R1.70 as it announced a pre-tax loss for the year and De Beers slipped 30 cents lower to R11.65 on higher earnings for the first half.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Aug 20	Previous	Year ago
DJ Industrials	1,324.48*	1,312.50	1,216.98
DJ Transport	678.49*	671.00	512.46
DJ Utilities	158.44*	157.83	128.80
S&P Composite	188.20*	186.38	166.68
LONDON			
FT Ord	982.2	972.1	839.9
FT-SE 100	1,307.1	1,294.9	1,074.4
FT-A All-share	632.16	626.94	510.64
FT-A 500	690.18	684.79	552.99
FT Gold mines	322.3	317.4	562.6
FT-A Long gilt	10.30	10.28	10.28
TOKYO			
Nikkei-Dow	12,634.05	12,640.05	10,533.3
Tokyo SE	1,015.90	1,016.80	816.16
AUSTRALIA			
All Ord.	955.9	954.2	735.5
Metals & Mins.	546.1	549.5	471.3
AUSTRIA			
Credit Aktien	100.52	99.11	53.36
BELGIUM			
Belgian SE	2,331.88	2,318.2	–
CANADA			
Toronto			
Metals & Minls	2,060.20*	2,068.06	2,005.0
Composite	2,771.40*	2,785.77	2,332.0
Montreal			
Portfolio	134.53*	135.68	115.15
DENMARK			
SE	216.86	215.75	192.68
FRANCE			
CAC Gen	215.8	215.9	162.6
Ind. Tendance	122.8	122.9	88.8
WEST GERMANY			
FAZ-Aktien	479.71	476.52	340.06
Commerzbank	1,413.9	1,404.1	988.1
HONG KONG			
Hang Seng	1,692.74	1,711.51	896.9
ITALY			
Banca Comm.	366.28	357.84	217.3
NETHERLANDS			
ANP-CBS Gen	216.1	214.5	160.8
ANP-CBS Ind	190.5	189.7	128.7
NORWAY			
Oslo SE	356.42	350.20	260.05
SINGAPORE			
Straits Times	754.88	758.79	935.67
SOUTH AFRICA			
JSE Golds	–	983.9	982.1
JSE Industrials	–	935.1	827.0
SPAIN			
Madrid SE	111.79	111.93	99.13
SWEDEN			
J & P	1,312.21	1,317.07	1,519.75
SWITZERLAND			
Swiss Bank Ind	465.4	461.5	382.2
WORLD	Aug 19	Prev	Year ago
Capital Int'l	218.2	217.8	182.5

GOLD (per ounce)

	Aug 20	Prev
London	$334.75	$338.75
Zürich	$334.60	$339.75
Paris (fixing)	$336.23	$326.72
Luxembourg	$336.10	$338.75
New York (Oct)	$338.60	$341.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Aug 20	U.S. DOLLAR Previous	STERLING Aug 20	STERLING Previous
$	–	–	1.3895	1.3995
DM	2.7775	2.783	3.86	3.8675
Yen	237.3	236.8	329.75	331.5
FFr	8.485	8.435	11.78	11.81
SwFr	2.2785	2.261	3.165	3.165
Guilder	3.129	3.111	4.3475	4.355
Lira	1,858.5	1,852.0	2,581.5	2,591.0
BFr	56.25	56.05	78.15	78.35
C$	1.3565	1.3555	1.8832	1.8985

INTEREST RATES

	Aug 19	Prev
Euro-currencies (3-month offered rate)		
£	11%s	11%
SwFr	4%	4%
DM	4%s	4%
FFr	11½	11%
FT London Interbank fixing (offered rate)		
3-month U.S.$	8%s	8%
6-month U.S.$	8¼	8%s
U.S. Fed Funds	7%*	7%
U.S. 3-month CDs	7.75*	7.75
U.S. 3-month T-bills	7.13*	7.10

U.S BONDS

Treasury		Aug 20* Price	Aug 20* Yield	Prev Price	Prev Yield
8%	1987	100%s	8.834	100	8.87
10%	1992	101%s	10.063	101%s	10.08
10%	1995	101%s	10.191	101%s	10.23
10%	2015	101%s	10.484	101%s	10.50
Corporate		Aug 20* Price	Aug 20* Yield	Prev Price	Prev Yield
AT & T					
10%	June 1990	100%	10.20	100%	10.20
3%	July 1990	82%	8.25	82%	8.25
8%	May 2000	83%	11.00	83%	11.00
Xerox					
10%	March 1993	99.869	10.65	99.865	10.65
Diamond Shamrock					
10%	May 1993	99.582	10.70	99.582	10.70
Federated Dept Stores					
10%	May 2013	94%	11.25	94%	11.25
Abbot Lab					
11.80	Feb 2013	103%	11.40	103%	11.40
Alcoa					
12%	Dec 2012	101%	12.10	101%	12.10

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	76–28	77–02	76–17	77–03
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.94	92.97	92.86	92.97
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.26	92.26	92.20	92.27
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.90	91.96	91.86	91.92
20-year Notional Gilt £50,000 32nds of 100%				
Sept	111–27	112–10	111–23	112–13

COMMODITIES

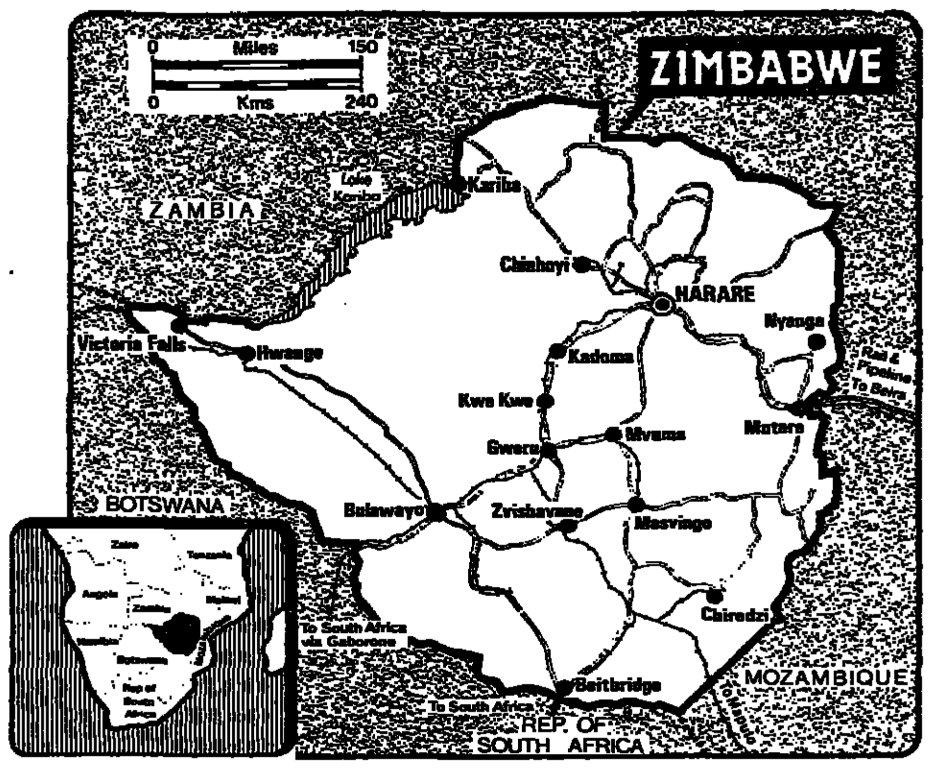
(London)	Aug 20	Prev
Silver (spot fixing)	447.15p	456.20p
Copper (cash)	£2,005.00	£1,999.50
Coffee (Sept)	£1,676.50	£1,662.20
Oil (spot Arabian Light)	$27.50	$27.40

SECTION III

FINANCIAL TIMES SURVEY

ZIMBABWE

After five years of independence, the Government of Robert Mugabe has secured some notable achievements, but several economic challenges lie ahead and serious political divisions remain



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Moving nearer a one-party state

BY MICHAEL HOLMAN, *Africa Editor*

EARLIER THIS month Mr Robert Mugabe, Zimbabwe's prime minister, took advantage of the most solemn occasion in the country's calendar to deliver what he called his final warning to his long time adversary, Mr Joshua Nkomo, leader of the Zapu opposition party.

Speaking at Heroes' Acre, an imposing memorial in the hills outside Harare to those who fell in the country's guerrilla war of independence and whose sacrifice is recalled every August 11, Mr Mugabe condemned the "armed banditry" in the Zapu stronghold of Matabeleland. It takes place, the Government believes, with the connivance and support of Mr Nkomo and his party.

Unless it ended immediately, Mr Mugabe pledged, the Government would have to take "very stern" measures.

The speech, preceded by raids on Mr Nkomo's homes in Harare and Bulawayo, arrests of three Zapu MPs and the confiscation of the Zapu leader's passport, appeared to signal what many observers had long believed likely: Mr Mugabe, set on a one-party state, is a short step away from banning Zapu and detaining Mr Nkomo and other senior officials.

Inappropriate

To many observers it seemed an inappropriate occasion for such sentiments. Among those buried at Heroes' Acre are former stalwarts of Zapu, whose Zimbabwe African Peoples Revolutionary Army (Zipra) played a major role in the defeat of white rule — albeit taking second place to the Zimbabwe African National Liberation Army (Zanla) of the ruling Zanu-PF Party.

It was an episode which illustrates the dichotomy in Mr Mugabe's nature. The same man marked the start of his period in office in 1980 with a statesmanlike address calling for reconciliation between races and parties. The appeal defused accumulated tensions left after some 80 years of white rule and a bitter seven-year guerrilla war to overthrow it which cost nearly 30,000 lives, the vast majority black Zimbabweans — many of them civilians.

These contrasting sides of his character — the reconciliation speech set against his remorseless pursuit of Zapu, or the adoption of a mixed economy wh••? calling for socialist transformation — have made Mr Mugabe something of an enigma.

It is to his lasting credit that Zimbabwe emerged from its war to become a stable, relatively prosperous state. It was sufficiently tolerant to allow Mr Ian Smith, the UDI leader, a place in parliament. And it is a striking exception to Africa's woeful tale of coup and insurrection, economic mismanagement and a crippling drought from which Zimbabwe, thanks largely to government encouragement of peasant farmers and continued support of white commercial farmers, emerged comparatively unscathed.

The consequences of a ban on Zapu and arrests of senior officials are unpredictable. But there is the risk that it could provoke rather than end the dissident problem, which poses far less of a security threat than it did in 1983 and 1984. And the presence of young guerrillas in Matabeleland, angered by such a move, could prove fertile ground should South Africa, implicated in the past in dissident activity, wish to create trouble.

Tremendous strides have taken place for the country's 8m black majority in education, where primary enrolment has soared since UDI, in health services, and in rural developments including roads, clinics and new schools.

Success

In the agricultural sector, the success of peasant farmers aside, the country's 4,300 mainly white commercial farmers acknowledge that life has seldom been better because of the end of the war, in which many played a dangerous and time-consuming front-line role. Government policies from the start also acknowledged the need for a realistic crop-pricing policy.

The rest of the white community, shrunk from a mid-1970s' peak of some 270,000 to fewer than 100,000, also continues to enjoy one of the highest living standards in the world.

Yet for all the considerable achievements, there are political and economic clouds on the horizon. The political issues were brought to a head at last month's first general election since independence. It was overwhelmingly won by Zanu-PF, which secured 63 of the 80 black seats contested (and a further seat at a by-election) while Zapu took 15.

The outcome, while sweeping aside minority parties such as Bishop Abel Muzorewa's United African National Council, also confirmed the tribal arithmetic of Zimbabwe's politics: Zanu-PF won in the Shona-dominated provinces, while Zapu emerged secure in their stronghold of Matabeleland, reflecting the broad 80:20 ethnic breakdown.

The division, which goes back to the split in the nationalist movement in the early 1960s, needs to be carefully handled. Mr Mugabe, however, treated the outcome as a mandate for the one-party state he has long sought, and denounced yet again Zapu's alleged support of armed, anti-Government dissidents in Matabeleland. The result of some intemperate language was the ransacking of the homes of hundreds of opposition supporters by Zanu-PF women and youths, an alarming indication of the potential for factional violence.

The Prime Minister appears to have backed away from the other confrontation which the election outcome, and his reaction, seemed to herald. The success of the conservative alliance of Mr Ian Smith, the former Prime Minister, in winning 15 of the 20 entrenched white seats, was angrily interpreted by Mr Mugabe as a rejection of his reconciliation policy.

"Racist" whites, he warned, would be punished.

Mr Mugabe faces two critical challenges in foreign affairs. South Africa, apart from political links with dissidents, could present a serious problem should the republic carry out its threat to retaliate in the event of western economic sanctions by reviewing trade and transport links with black states. Zimbabwe would be in a severe predicament, for the republic is a major trading partner and the road and rail links to South African ports carry 85 per cent of the country's exports.

Apart from a fundamental distaste for doing business with South Africa it is this concern that is behind Mr Mugabe's growing involvement in the war between President Samora Machel of Mozambique and the anti-government Mozambique National Resistance.

More assistance

The Mozambique port of Beira provides Zimbabwe's shortest road and rail route to the sea, as well as the loading point for the vital oil pipeline to the Zimbabwe border town of Mutare. Zimbabwe already has some 3,000 to 4,000 troops protecting this corridor, as well as the road link with Malawi running through Tete province.

As the war in Mozambique intensifies, so Mr Mugabe has promised to increase assistance to his old ally President Machel to as many as 30,000 troops if necessary. It could prove a major drain on the budget (defence already accounts for 14 per cent of spending) as well as draw Zimbabwe into a protracted war.

On the economic front the indicators appear encouraging at first. After three tough years of decline caused by drought and low commodity prices, Zimbabwe's real growth this year should reach 5 per cent.

But as the analysis of Zimbabwe's economy points out, 1985 real per capita incomes will be little different from 1965, at the time of the Unilateral Declaration of Independence. Even if there is a sustained period of 5 per cent real growth it will be at least a decade before real living standards measured in per capita income reach peak 1974 levels.

Government officials say there has been a less easily quantifiable improvement in living standards in such things as better education and health services.

Nevertheless the per capita figures are made even more worrying by the failure of the economy to keep up with the demand for jobs. In 1965 some 18 per cent of the population worked in the formal economy: today that has fallen to 12 per cent—partly because of a high population growth rate of about 3 to 3.5 per cent.

At the same time, the level of foreign investment attracted since independence has been disappointing, influenced by the Government's apparent ambivalence about the role of the private sector. It has yet to convince most foreign investors that its aim of creating a Marxist-Leninist state is compatible with a healthy investment climate.

There are several other worrying economic issues. Workers have found that although their wages have doubled in nominal terms since independence, inflation has left real purchasing power almost stagnant.

Subsidies in the 1985-6 Budget will also consume 11 per cent of spending, and the debt service ratio is about 26 per cent this year, giving further grounds for concern about medium-term prospects. These should be set against the encouraging growth in exports of maize, tobacco, cotton and other items, which has left the current account in the black this year for the first time since 1978.

It is the growing pressure on land, however, which most seriously threatens the country's long-term development. The much-vaunted land redistribution and resettlement programme, introduced after independence with substantial financial support from Britain, is inadequate. Only 32,000 families have been resettled from a target of 162,000 due to be moved over three years. In the meantime the backlog of unsatisfied demand has risen.

It is difficult to be precise but there could be 185,000 families—almost 1m people—either without land or in need of adequate arable or grazing land. Many areas are being steadily overworked, overgrazed and deforested, creating serious ecological problems for the future.

Mr Mugabe has much to deal with in the coming years, but it is not easy to predict the course he will adopt. Is he a sometimes irascible pragmatist, who may say things he later regrets, and then remedies? Or is he set at all costs on the creation of a one-party, Marxist-Leninist state.

This is a policy which could fan tribal tensions and undermine what today is, for all the problems, a relatively sound economy. The answers to those questions will largely determine Zimbabwe's future.

Impressive performance on growth and inflation must be set against possible South African disruption and fiscal difficulties

Export-led growth needed to break out of straitjacket

Economy

TONY HAWKINS

AFTER three years of stagnation and decline, the Zimbabwe economy will achieve real growth of at least 5 per cent in 1985, but prospects of a sustained improvement in living standards during the second half of the 1980s depend crucially on the course of events in neighbouring South Africa.

Even if the so-called "environmental variables" of the weather and world economic conditions turn out to be more favourable over the next five years than in the first half of the '80s — which is problematical to say the least — Zimbabwe's moderately-strong economic recovery could be aborted as South Africa both retaliates and defends itself against economic sanctions.

While the whole region would suffer to varying degrees, not so much from the imposition of economic sanctions but more from the likely South African

EMPLOYMENT AND POPULATION GROWTH

	Employment ('000s)	% of population
1965	748	18
1970	853	17.5
1975	1,050	18.3
1979	984	14.6
1980	1,010	14.4
1981	1,038	14.3
1982	1,046	14.0
1983	1,030	13.3
1984	1,035	13.1

counter-measures, Zimbabwe is particularly vulnerable. If Zimbabwe is to break out of the balance of payments straitjacket that has so severely constrained its economic performance since independence five years ago, it must enjoy a sustained period of export led growth.

Zimbabwe's export dependence on South Africa is extremely high. An estimated 85 to 90 per cent of exports use the South African transport system and South Africa, as Zimbabwe's largest trading partner last year, purchased one fifth of total exports.

Zimbabwe's economic performance during the first five years of independence has been both impressive and disappointing. Impressive when set against that of sub-Saharan Africa as a whole to the extent that Zimbabwe stands out as a shining example of agricultural success, despite three successive drought seasons, but disappointing when viewed in terms of the admittedly-excessive expectations prevalent immediately after independence in 1980.

The disappointment has two quantitive and one qualitative aspect. On the quantitative side there is the sobering realisation that in 1985 real per capita incomes in Zimbabwe will be little different from their levels both when Ian Smith declared unilateral independence 20 years ago and when legal independence was granted in 1979. Indeed, even if Finance Minister Bernard Chidzero's plan for a sustained period of 5 per cent real growth is achieved—and many economists believe it to be on the optimistic side—it will be well into the 1990s before real living standards regain their peak historic 1974 levels.

Some more cautious projections suggest that these levels are unlikely to be regained before the end of the century, because with population growth estimated at 3 to 3½ per cent, incomes are unlikely to grow by much more than 1 per cent annually.

Linked with this is the concern, recently put by Dr Chidzero himself in his 1985 budget last month, over the deteriorating employment situation. In the past 20 years employment growth has lagged well behind the rate of labour-force expansion, with the result that while in 1965 some 18 per cent of the population had jobs in the formal economy, today the ratio is closer to 12 per cent.

Dr Chidzero's own figures show employment rising at a mere 7,000 new jobs annually since 1980 while an estimated 80,000 job-seekers have been joining the workforce each year.

Just how imperfect the Zimbabwe labour market has become is underlined by the experience of one prominent farmer who told me that he had to send lorries to the Harare area to pick up unemployed urban workers to help him hand-reap his cotton crop, because rural workers were simply unwilling to do it.

The large-scale cotton producers argue that—in a country of high and growing unemployment — the most serious constraint on output expansion is the reluctance of the workforce to pick cotton at economically-realistic piece rates.

The second disappointing aspect of quantitative performance has been the balance of payments, although this has improved radically in the past 18 months with rapid export growth raising hopes that the worst is now past.

Particularly disappointing on the balance of payments side has been Zimbabwe's failure to attract the levels of foreign direct investment so widely forecast in 1980, especially by Foreign Office mandarins.

Hopes that foreign investment will materialise on a significant scale now that the post-independence dust has settled and Zimbabwe has a five-year track record on which such investment decisions can be justified, may well be dashed by the spectre of a deteriorating regional economic situation created by the growing South African crisis.

On the qualitative side, there is the disappointment of the left-leaning radicals at Prime Minister Mugabe's failure to be sufficiently radical in implementing socialist economic doctrines, while on the other side of the political divide, business leaders fear that Zimbabwe may

REAL INCOMES (1980 prices)

	GDP (Z$m)	GDP per head (Z$)
1965	1,760	430
1974	3,140	555
1979	2,900	430
1980	3,226	455
1981	3,645	500
1982	3,645	483
1983	3,522	454
1984*	3,565	438
1985*	3,750	450

* Forecast.

yet muff its golden opportunity to establish an efficiently-managed, mixed economy that would refute some at the World Bank, in the International Monetary Fund and in the West generally who appear to believe that African economies are destined only to failure.

The success both of agriculture, at peasant as well as commercial level, and more recently of manufactured exports, suggests that there is a good chance of Zimbabwe breaking free from the sub-Saharan mould, but this implies maintaining the delicate balance between radical socialism and business pragmatism achieved since 1980 by Mr Mugabe, primarily by talking socialist while acting pragmatically.

BALANCE OF PAYMENTS (Z$m)

	1982	1983	1984	1985
Exports	999	1,174	1,450	1,750
Imports	1,114	1,087	1,200	1,400
Trade Balance	−115	+87	+250	+350
Net Invisibles	−415	−545	−350	−300
Current Account	−530	−458	−100	+50
Capital Account	+343	+286	+270	n/a
Overall Balance	−187	−172	+170	n/a

There are three main dangers inherent in such a strategy. The first is that the rhetoric will acquire a momentum of its own eventually engulfing the private sector. Reflecting this momentum, a Zanu-PF official claimed at a political rally earlier this month that the time would soon come when no top post—even in the private sector—would be filled by individuals opposed to the ruling party.

The second danger, acknowleged implicity by Mr Chidzero in his budget address, is the danger of a crisis of unfulfilled expectations among school-leavers and the low-paid who, even though they have been the main targets of government social policies in respect of free primary education and health, minimum wage policies and controls on retrenchment, have seen some of these benefits severely eroded by inflation.

Thus, while average wages—excluding agriculture—virtually doubed in the five years from mid-1979 to mid-1984, so also did the price level with the result that average real wages barely changed. A major priority of the second Mugabe administration must be that of securing a significantly greater improvement in real incomes, wages and employment than in the first five years of independence.

Thirdly, there is the strategic danger—that of being "stuck in the middle" between radical socialism on the one hand and a mixed market economy on the other. The stuck-in-the-middle syndrome, familiar to business strategists, raises the spectre of two opposed sets of economic institutions, squabbling with one another rather than working harmoniously for the general good.

The white-dominated — and largely foreign-inflenced, if not controlled—private sector is well aware of this danger and there has been refreshing evidence recently of a new preparedness to replace ideological confrontation with dialogue over the mechanics of economic co-existence.

Indeed, and this is a strongly positive development, on both sides of the public sector/private enterprise divide there is a new willingness to tackle bread-and-butter economic policy issues within the broad framework of the Mugabe Government's long-run socialist objectives. What remains to be seen is whether this pragmatism can weather some of the grass-roots pressures from within the ruling party for radical change.

In terms of economic performance, success depends substantially on continuing agricultural growth on the one hand, while maintaining the already-marked improvement in the balance of payments on the other. Although agriculture contributes no more than 14 per cent of GDP, even after a good season, there have been very few years in which there has been measurable growth in real GDP unless agriculture has performed reasonably well.

The handsome 26 per cent growth in real output in 1980/81 was primarily the result of a 12 per cent rise in agricultural production, and in the current year the projected 5 per cent growth rate will be associated with a forecast 20 per cent rebound in agricultural production after a superb rainy season.

The difference is that while in 1980/81 agricultural and industrial growth were mutually reinforcing, in 1985 agriculture is spearheading the recovery.

But Zimbabwe's ability to sustain satisfactory rates of growth for the rest of the decade hinge crucially on its balance of payments performance. The current account position deteriorated sharply from a deficit of Z$74m in 1979 to a current deficit of Z$533m in 1982.

It was at the end of 1982 that the over-valued Zimbabwe dollar was devalued by 20 per cent and the rate subsequently allowed to float further downwards.

At the same time, import quotas were cut and exchange controls tightened, resulting in a modest fall in the deficit to Z$454m in 1983.

Last year, however, there was a major improvement, only partly explained by the emergency exchange control measures imposed in March 1984 (and partially relaxed three months ago) and lower import allocations. Exports which stagnated during the 1980/82 period rose 17.5 per cent in 1983. With increased exports of tobacco, cotton, steel, gold and manufactured goods along with maize exports worth more than Z$40m exports are forecast to grow a further 20 per cent in value in 1985.

As a result, the current account deficit which fell to Z$100m last year will improve still further this year and is forecast to swing back into the black for the first time in seven years. The improved balance of payments position has allowed the Reserve Bank of Zimbabwe to reduce substantially its short-term foreign borrowings from Z$369m at the end of 1983 to only Z$141m last year.

Next year, however, the balance of payments position is likely to tighten, partly because the relaxation of last year's

EXPORTS

	Z$m	US$m
1979	734	1,072
1980	929	1,473
1981	1,002	1,400
1982	999	1,087
1983	1,174	1,062
1984	1,450	1,200

temporary ban on profit and dividend remittances will mean a higher invisibles deficit and partly because import allocations for the latter half of 1985 were recently increased by 30 per cent, reversing a four-year downtrend.

Furthermore, export growth may well slacken in 1986 in response to slowing world economic growth and economic deterioration in South Africa, while debt-service payments as projected by the World Bank at the end of 1983 are estimated to have absorbed nearly 30 per cent of exports last year and the 1985 debt-service ratio is forecast to remain obstinately high at around 26 per cent.

These numbers underscore the need for export-led growth if the import constraint that has stifled industrial growth and new investment is to be eased. While Zimbabwe does boast a much more diversified export base than the typical sub-Saharan economy, some of these exports—steel, asbestos, copper, nickel, cotton, sugar and even tobacco—either face fiercely competitive world market conditions or are into the mature phase of their industry life cycles, or both.

Exports of manufactures —excluding ferrochrome and steel—have doubled in the past three years though it will be difficult to maintain this momentum especially if South Africa takes counter-measures against economic sanctions that have adverse effects on the regional economy.

Inflation, which was a serious problem in 1982-83 reaching a peak of 20 per cent in 1983, fell to 16 per cent last year, declining further to dip below 10 per cent in the first half of this year. However, the signs are that a turning point in the cycle has been reached and price inflation will accelerate again in second half of 1985, reflecting higher food and fuel prices, the recent 5 to 15 per cent pay rise, a rash of official price approvals delayed by the elections and faster money supply growth over the next year. By mid-1986, the inflation rate is likely to be closer to 15 per cent than 10 per cent.

The use of price controls to slow inflation has taken its toll in the form of deterring investment. Dr Chidzero told parliament recently that total investment in Zimbabwe has fallen some 30 per cent short of the transitional development plan target of some $6bn. Investment peaked in 1982 at more than Z$1bn, but has since fallen an estimated 30 per cent in real terms.

The Mugabe Government's well-intentioned and justifiable income redistribution programmes have taken their toll, too — primarily in the shape of an obstinately large budget deficit which in the past three years has averaged more than 10 per cent of GDP. Indeed, in the past three years alone, the Government has borrowed more than Z$700m both at home and abroad to finance recurrent — as distinct from capital — public expenditure.

Some 45 per cent of budget spending in the current year is earmarked for education, defence and debt-service, thereby leaving the finance minister with precious little room for manoeuvre.

Public spending has increased its share of GDP from 38 per cent at independence to 45 per cent today and although the greater part of this expenditure growth has been funded from taxation, the size of the public sector deficit and borrowing requirement poses major problems not just in terms of existing policies but also because of future debt-service obligations.

Impressed though the IMF is likely to be with Zimbabwe's economic resilience in the face of drought, world recession and the South African crisis, and with the remarkable balance of payments turnround achieved in the past 18 months, there seems little doubt that the country's fiscal difficulties will raise problems when negotiations for a new IMF facility resume shortly.

Provided the combination of the world economic slowdown and the South African crisis does not jolt Zimbabwe's economic recovery off course, the near-term outlook is substantially more encouraging than seemed even remotely possible 18 months ago. Inflation

MAIN EXPORTS IN 1984

	Z$m	% of total
Tobacco	275	19
Gold	160	11
Ferrochrome	155	10.7
Cotton Lint	115	8
Asbestos	74	5
Nickel	62	4.3
Sugar	56	3.9
Steel	56	3.9
Copper	43	3

has slowed, comfortable real growth is once again being achieved and the balance of payments is healthier than at any time for five years.

It is the longer-run scenario that is altogether less satisfactory given the rate of population growth and its age structure, allied with the need to break out of the balance of payments straitjacket that has constrained economic performance for a quarter of a century now.

These are the challenges that must be addressed in the new development programme currently being drawn up in Harare.

Zimbabwe 3

Key role in funding state borrowings

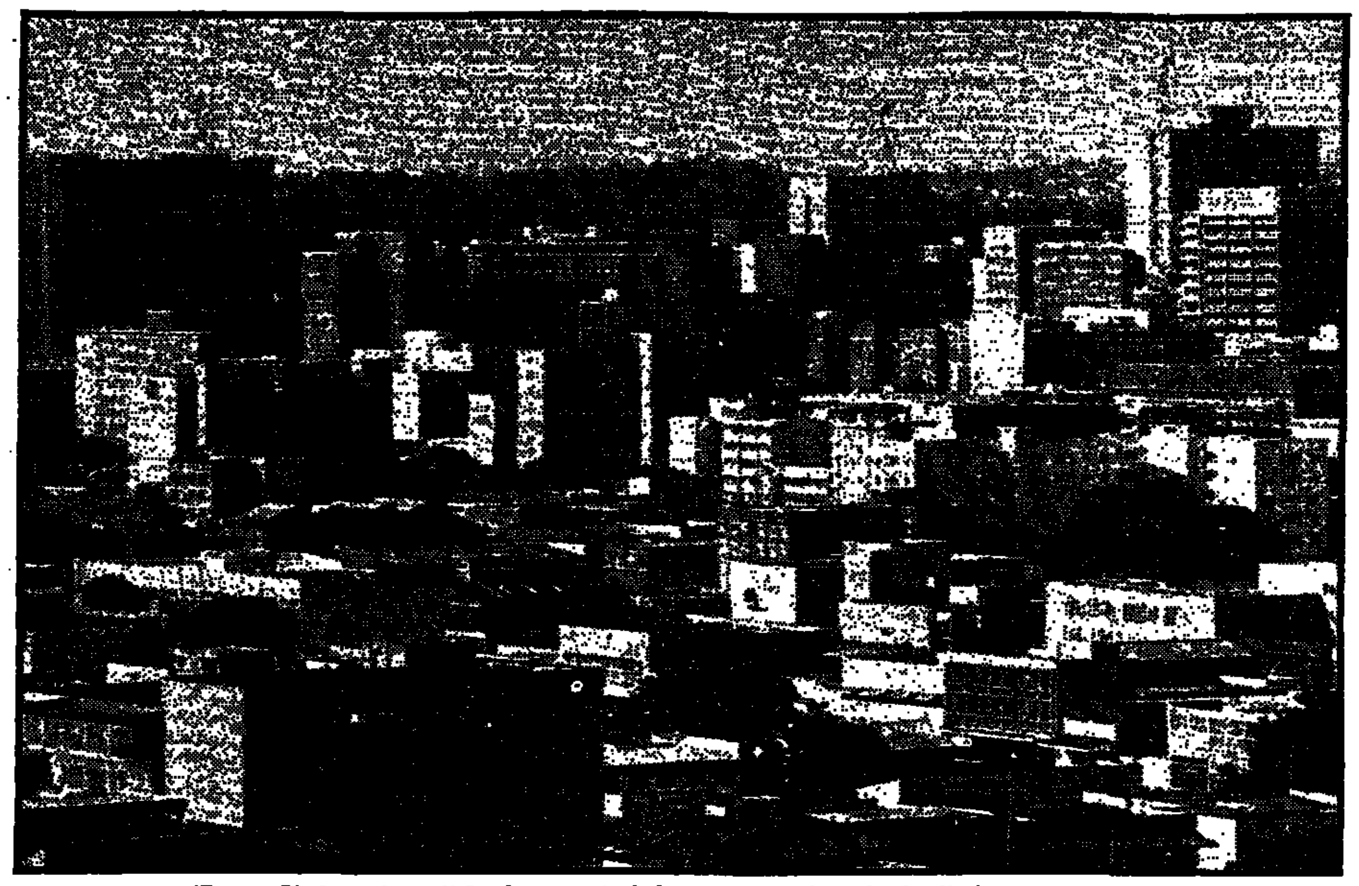
Banking
TONY HAWKINS

ZIMBABWE HAS the most sophisticated financial market infrastructure in the sub-Saharan region, after that of South Africa. The core of the system is made up by the central bank (the Reserve Bank of Zimbabwe) and the five commercial banks, with the dominant forces being Standard Chartered Bank which has the largest market share, and Barclays not far behind.

There are also two discount houses — something of a rarity in Africa — four merchant banks, five finance houses (largely hire-purchase operators), three building societies, and the post office savings bank.

In addition to this broad range of deposit-taking institutions. Zimbabwe possesses one of the most active stock exchanges in Africa, though of very marginal importance compared with the Johannesburg Stock Exchange. There are some 50 insurance companies and over 1,200 pension funds, many of them very small.

The public sector has long played an important money and *capital market role, but this* has grown since independence, both institutional and as a result of more active interventionist monetary policies. The Zimbabwe Government purchased a majority (nearly 60 per cent) controlling stake in the Zimbabwe Banking Corporation (Zimbank), in 1981, buying out the South African-based parent company; Nedbank.



Harare, Zimbabwe's capital, where most of the banks and financial institutions are centred

Investment

In addition, it is a joint-venture partner with the Bank of Credit and Commerce group in the only new commercial bank to be established in Zimbabwe in the past 20 years. The state recently launched the Zimbabwe Development Corporation, which will undertake mainly long-run financing for parastatals and has also established the state-owned Reinsurance Corporation — all of which points to a growing public-sector role in the field of financial institutions.

On the investment side, the Government controls the Industrial Development Corporation and, most important of all in terms of loan policy, the Agricultural Finance Corporation which has played a vital role in expanding credit to the small farm sector.

The two British-owned banks — Standard Chartered and Barclays — dominate the commercial banking sector. Standard has 35 per cent of the total deposit base, with Barclays close behind with 33.5 per cent.

On the lending side, Standard Chartered runs well ahead with 38 per cent of the advances market, followed by Barclays with 31 per cent. Zimbank, with 17.6 per cent of advances, takes third place, and Grindlays and the Bank of Credit and Commerce (BCCZ), bring up the rear with 9 per cent and 4.4 per cent respectively.

The merchant banking market is shared out roughly evenly between the Merchant Bank of Central Africa, Rai Merchant Bank (controlled by the Anglo American Group) and Syfrets Merchant Bank, which is part of Zimbank. Standard Chartered Merchant Bank is the fourth participant, with about 22 per cent of the market, compared with the 25 to 26 per cent each of the other competitors.

The central bank has employed largely traditional monetary policies to restrain money supply growth, slow inflation and protect the balance of payments. Control of the money supply has not been easy, primarily because of the burgeoning public sector borrowing requirement necessary to finance a budget deficit, which exceeds 10 per cent of GDP, and the operations of the state-owned Agricultural Marketing Authority (AMA) whose total borrowings this year will approximate Z$1.2bn (US$720m).

Lending

On top of that, central government will be in the market for a further Z$1.1bn and these two requirements between them pose serious problems, not just in terms of anti-inflationary policy but also in respect of the "crowding out" of private sector borrowings.

The money supply—broadly defined to include savings, and fixed deposits of commercial banks as well as demand deposits and currency in circulation—has more than doubled since 1979, with the public sector's share of commercial bank lending also doubling from 22 to 45 per cent over the period.

The rate of money supply growth has averaged 17 per cent annually since 1979, rising to 22 per cent last year, largely as a result of the government purchase of the pool of domestically-owned foreign securities.

By mid-1985 money supply growth was well under control at 12 per cent, but given the substantial financial needs of both the AMA and the Government, this is likely to accelerate again over the next nine months.

A more active interest-rate policy was signalled by the increase of bank rate from 4.5 per cent to 9 per cent in 1981, but since then the interest rate pattern has been largely stable, though short-run rates have fluctuated in response to liquidity pressures.

The three-month rate for negotiable certificates of deposit (NCDs) is perhaps the best indicator of market liquidity and this moved up from 3.5 per cent at independence to a peak of more than 15 per cent at the end of 1983, subsequently falling back to 9 per cent.

At present, lending rates—the prime overdraft rate is 13 per cent—exceed the inflation rate of just under 10 per cent, while deposit rates are only positive, in real terms, for deposits of 24 months and beyond.

But given the expectation of faster inflation it is likely that by early next year, the real return of long-term investments—such as government stock at 13.5 per cent—will once again be negative.

Desirable though positive real rates on savings might be in a country which does not save enough to fund the investment necessary to foster rapid job-creation, the authorities' room for manoeuvre is limited by the domestic debt-service burden resulting from local borrowings. Indeed, in the 1985 budget, interest charges on central government debt will absorb no less than 13.5 per cent of public spending and any upwards shift in the interest-rate pattern would only exacerbate an already severely-strained fiscal situation.

Debt

Government borrowings have been growing at more than 20 per cent annually since independence with the result that the national debt/GDP ratio has risen from 58 per cent in 1979 to 64 per cent last year. The domestic capital market fulfils a key role in funding these borrowings with insurance companies and pension funds having subscribed for more than Z$500m of government stock issues since independence.

At the end of 1984, domestic debt accounted for just over 60 per cent of total government borrowings. The largest single holder of government stock is the Post Office Savings Bank with some Z$475m at the end of last year, followed closely by the insurance companies with Z$464m.

Pension funds, medical aid societies, financial institutions (excluding banks) and individuals account for a further Z$536m, while the banks themselves hold more than Z$350m. Both the extent and the spread of these holdings underscore the major role played by the domestic capital market in financing public spending.

Strong comeback after fall

Stock Exchange
TONY HAWKINS

THE Zimbabwe Stock Exchange, which last year came perilously close to going under as broking firms closed and share prices plunged to 17-year lows, has mounted a strong comeback over the past year.

The exchange was already in the doldrums in March 1984 when dealings in the pool of external securities were *suspended as a prelude* to its acquisition. This raised serious doubts about the viability of the market, since in the preceding year turnover in the so-called externals had accounted for 83 per cent of the total.

It seemed inconceivable that the exchange could survive without this trade, especially as even then there were only two broking firms left in the market—one of which had *signalled its intention to close* because operations were no longer viable.

The exchange survived because of a combination of two forces. First, the Zimbabwe Exchange fell into line with those abroad in allowing corporate membership. This attracted the Anglo-American Group subsidiary Sagit Trust into the fold, ensuring that there were at least two dealing firms operating alongside 11 non-member institutions affiliated to the exchange.

Second, the compulsory acquisition of the external securities pool injected cash into the market, some of which was recycled into domestic equities and gilts. This coincided with economic recovery after two recession years, and the prolonged bear market came to an end in September 1984.

How severe the bear market had been was shown when the index of industrial share prices reached a low of 100.20 on September 12 1984, only two tenths of a percentage point above its base level of 1967.

Recovery

At that stage market capitalisation was a mere Z$212m. This compares with a record high of 487 on the index in January 1981, meaning that the bear market lasted 3½ years, during which time the index plunged almost 80 per cent.

The recovery market took the index to a high of 262 in mid-1985, since when it has drifted gently lower to 247 in mid-August. The average yield on industrials is just over 10 per cent gross or 8 per cent net of tax. This is below both the inflation rate and short-term interest rates, suggesting that *the market* has reached a consolidation phase.

In the first full year of trading after the suspension of the externals, the value of turnover fell 52 per cent to Z$32.6m. More than two-thirds of this was in gilts, reflecting caution on the part of investors to hold equities given both the severity and the duration of the bear market.

The good news, however, is that corporate profitability is improving and higher dividends over the next year should maintain the firmer market tone.

Ambivalence over attracting new funds to an economy with a high level of foreign control

Inflow dwarfed by loss of dividends, interest and profit

Foreign Investment

TONY HAWKINS

BUSINESSMEN have long argued that one way of easing Zimbabwe's severe balance of payments constraint is through attraction of substantial foreign investment.

The post-independence record has not been an encouraging one, with reserve bank figures of private long-term capital flows showing a net inflow of some Z$40m in the first five years of independence. Over the same period, more than 10 times as much has left the country in profits, interest (on private sector debt) and dividends, raising serious doubts as to the foreign exchange benefits of foreign investment.

The benefits of direct investment stretch well beyond fund inflows and outflows, with technology transfer, access to skills, expertise and export markets being vitally important. The investment inflow to Zimbabwe has been disappointing — the Dandy Chewing Gum and Heinz investments by Denmark and the U.S. being the two most widely-quoted examples—and there have been joint venture and licensing agreements that have not caught the imagination.

Government policy towards foreign investment has blown hot and cold. Zimbabwe declined to sign the Overseas Private Investment Corporation agreement with the U.S., which is frequently a prerequisite for significant American participation in an economy. And although foreign investment guidelines were published in 1982, the Government has stopped short of agreeing to a fully-fledged investment code.

It argues that these involve making significant concessions to foreign investors that all too often fail to attract material amounts of the right type of investment.

There has also been some ambivalence over the desirability of attracting new foreign investment to an economy with an already-high level of foreign control.

How substantial that foreign control is has never been fully researched but an article in the Journal of Development Planning, by Mr Mudereri Kadhani, a former Zimbabwean treasury official, and Mr Reginald Green, an economist, developed some estimates of the ownership of the Zimbabwe capital stock.

They valued it as Z$19.2bn in 1983. Almost one-quarter was Government-owned and the balance owned by what they describe as "individual enterprises."

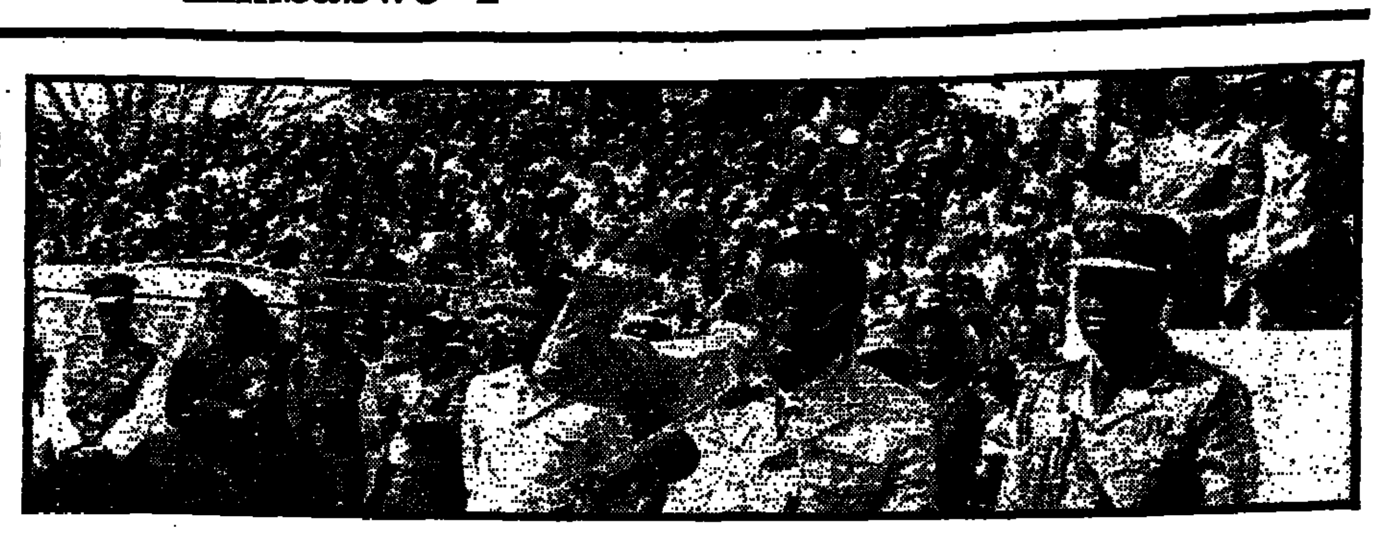
Foreign ownership accounted for about one quarter of the capital stock, far lower than some previous estimates which put the figure as high as 70 per cent.

Choice

Once transport and power, private housing and public administration are excluded, the results show much higher foreign penetration. Foreign investment is lowest in agriculture (19 per cent) and highest in mining (90 per cent), while in manufacturing it is just below 60 per cent.

If construction and services such as distribution and banking, are included the foreign-controlled share is about 45 per cent.

Whether this foreign control ratio is too high for the Government to wish to encourage additional investment is a matter of political choice. Internationally, however, there is little enthusiasm for direct investment anywhere in Africa and less so for investment in southern Africa, given the potential for economic disruption as the South African crisis worsens.



An emphatic Mr Mugabe at a pre-election Zanu-PF party rally

Worst seems over for whites

Politics

MICHAEL HOLMAN

AS THE 100,000-strong crowd at Harare football ground at the end of June roared approval, an angry, grim-faced Robert Mugabe served what at the time seemed to be a clear threat that the bloc of 20 entrenched white seats in the country's 100-member parliament would be abolished despite constitutional constraints that should guarantee their presence at least until 1987.

His anger had been prompted by the success of Mr Ian Smith's Conservative Alliance, which, much to the surprise of many observers, had won 15 of the 20 white seats in the opening round of polling in the country's first general election since independence in 1980.

It was, said Mr Mugabe, a repudiation of his policy of reconciliation between races, and "racist" whites now faced very hard going. He ended his bitter attack on the white bloc, entrenched under the Lancaster House constitution drawn up under British chairmanship at the end of 1979, with the words: "We will not live with that indignity and insult very much longer. That dirty piece of paper (the constitution) will be cleansed."

A week later, speaking at a Press conference in the wake of the ruling Zanu-PF overwhelming success in the second round of polling for the 80 black seats, Mr Mugabe remained in an angry mood. He renewed his threat to remove the white seats, and said that he would also treat his massive victory as a mandate for a one party state—posing the prospect of a second constitutional crisis (for such a move would be illegal before 1990) and a confrontation with Mr Joshua Nkomo's Zapu.

The two episodes at the time seemed likely to change dramatically the face of Zimbabwe's politics. They may yet do so, but on the first issue at least the Prime Minister is treading cautiously, and indeed may be back-tracking.

His first step, however, confirmed some of the worst fears of the 100,000-strong white community. When the new Cabinet was announced shortly after the election, missing from the list of ministers was Mr Denis Norman, who had won wide respect for his handling of the agriculture portfolio—although a second white minister who had been returned as an independent, Mr Chris Andersen was retained as minister of the public services.

But in rejecting Mr Norman (whom Mr Mugabe thanked for his valuable services), the Prime Minister was making a point directed particularly at the white rural community and the 4,300 commercial farmers. Under the UDI era of the former Prime Minister, Mr Ian Smith, farmers had been stalwart supporters of the Rhodesian Front Party, and served in the front line of the guerrilla war.

Yet it was the same group that Mr Mugabe went out of his way to win over, acknowledging their key role in the economy. With Mr Norman putting their case for realistic crop prices, the majority of the hard-bitten white farmers declared that they had never had it so good.

The return, then of Mr Smith's Conservative Alliance candidates, the inheritors of the Rhodesian Front mantle, in several rural constituencies, as well as city seats, was understandably seen by Mr Mugabe as a particularly sharp rebuff.

Worried

A jittery white community, feared worse was to come. While their fears could still be justified, the worst seems to be over.

Worried farmers were relieved early this month when no fewer than six Cabinet ministers attended the annual conference of the Commercial Farmers Union (predominantly white) and reassured the delegates that the Government recognised the importance of a successful commercial farming sector.

White fears have been further allayed by Mr Mugabe's comments both in public and in private. In Parliament earlier this month, in relaxed and joking mood, he implied that while his distaste for an entrenched racial block was as great as ever, the abolition of the 20 seats would take place within the constitution, ie not before late 1987.

His message in private, given to diplomats and others, is clearer and it now seems that the possible constitutional crisis, on this issue at least, has blown over.

The storm clouds are gathering, however, on the second issue: Mr Mugabe's often expressed determination to create a one-party state and frequent warnings that Mr Nkomo's Zapu will be banned. The two are not necessarily the same thing. To create a de jure one-party state before 1990 would contravene the entrenched provision in the Bill of Rights which guarantees freedom of political association and the Bill can be amended only with the support of all 100 MPs until 1990.

Mr Mugabe could, however, draw on the range of emergency powers he inherited from Mr Smith (and which remain in force, being renewed every six months) and ban Zapu and any party that sprang up in its place.

There is growing evidence that this is what Mr Mugabe plans. Whether it will resolve the deep-rooted divisions between the country's Shona majority (about 80 per cent of the population) and the Ndebele balance is another matter.

Although some historians dispute the assertion, it is generally accepted that when the country's nationalist movement split in the early 1960s, the division was broadly along tribal lines, although both parties can point to members from the other tribe. Certainly the division was reflected in the general election results last month.

Zanu-PF won its 64 seats in the predominantly Shona provinces of Mashonaland East, West and Central, Midlands, Manicaland and Masvingo, while Zapu's 15 seats came from the Ndebele strongholds of Matabeleland North and South.

The United African National Council (UANC) of Bishop Abel Muzorewa, the former Prime Minister during the country's so-called internal settlement, lost the three seats it had held in the last parliament and was effectively wiped out.

The sole remaining seat was won by Rev Ndabaningi Sithole's Zanu party but it was the outcome of a favourite son vote rather than an indication of party political strength.

The vote itself almost reflected the tribal arithmetic—77 per cent of the 4m electorate secured by Zanu-PF and 19 per cent went to Zapu.

Strong a mandate as it was, Mr Mugabe appears set on further consolidating his power, basing his case in part on the argument that Zapu is responsible for the activity of armed anti-government dissidents in Matabeleland. The dissidents, most of whom are believed to be former members of the disbanded Zapu guerrilla army, have long been a thorn in the Government's side.

Their motives unclear, their organisation limited, the dissidents have been responsible for numerous incidents of banditry in the province including attacks on white farmers. The most serious loss of life, however, has taken place in the course of brutal military retaliation, notably in 1983, in the course of which between 1,000 and 3,000 civilians died.

Although the situation has quietened, the Government is determined to stamp out the dissident activity altogether and remains convinced that the rebels are acting with the connivance and support of the Zapu leadership—hence Mr Mugabe's most recent threat to Mr Nkomo: eliminate the dissident activity yourselves or we will do it and eliminate Zapu in the process.

Jockeying

The eventual outcome—which could well trigger off further violence of the sort that marked the election result, when Zanu-PF women and youths evicted hundreds of opposition supporters from their homes in Harare and elsewhere—may well be the banning of Zapu. But in the meantime a process of attrition is under way, with arrests and harassment of Zapu officials, and Mr Nkomo, looking older and more tired by the day, a vulnerable and isolated figure.

In the meantime, a jockeying for power of a different sort—and far less easy to detect or follow—takes place within the ranks of Zanu-PF itself. One critical yardstick—although certainly not the only one—is the Cabinet and central committee line up according to membership of tribal groups within the Shonas as a whole: the Karanga (about 22 per cent of the population), Zezuru (18 per cent), Manyika (13 per cent), Korekore (12 per cent), Rozwi (9 per cent) and Ndau (3 per cent).

Leading the way is Mr Mugabe and the Zezurus who slightly outnumber the Karanga (most prominent of whom is Mr Simon Muzenda, the deputy Prime Minister, and Mr Emmerson Munangagwa, Minister of State for Security).

It is within and between these inner councils that the debate that will shape Zimbabwe's long-term policies is taking place: the pace at which Zimbabwe shifts from a mixed economy to Zanu-PF's declared aim of creating a Marxist-Leninist state, for example.

But for the short term at least, Zimbabwe's politics will continue to be dominated by the issue that is now over 20 years old: how do Zanu-PF and Zapu reconcile their differences?

War debt to old ally repaid

Foreign policy

MICHAEL HOLMAN

Allies in the war against the rebels in Mozambique: President Julius Nyerere of Tanzania and President Machel of Mozambique

ZIMBABWE is proving in more than name to be one of southern Africa's main front-line states—that group of black countries formed during the Rhodesian war and now directing its energies against South Africa.

On its eastern flank, Zimbabwe is becoming increasingly involved in Mozambique's battle against rebels who in the past enjoyed South Africa's backing—and perhaps still do. The southern border with the republic may prove to be a front line of a different sort should Pretoria choose to respond to any imposition of economic sanctions by expelling foreign workers and restricting road and rail links which serve not only Zimbabwe but Malawi, Zambia and Zaire.

It is not surprising that relations with these neighbours tend to dominate foreign affairs. The link with Mozambique goes back to Zimbabwe's guerrilla war for independence when Mozambique's President Samora Machel provided bases for the fighters of Mr Mugabe's Zimbabwe African National Liberation Army (Zanla), while at the same time increasing economic pressures on the illegal white government of the day by closing his borders and cutting off Rhodesia's access to the eastern seaboard ports of Beira and Maputo.

Intensified

Mozambique paid an enormous price. The Rhodesian military response was not only to attack Zanla bases but to hit economic targets such as bridges and communication centres. They also created a rebel movement within Mozambique by training and supplying a motley gang of disaffected former black members of the former Portuguese army in Mozambique and deserters from Frelimo, the guerrilla army that brought President Machel to power.

When Zimbabwe won independence in 1980, South Africa took over where white Rhodesia left off and boosted support for the rebels, known as the Mozambique Resistance Movement (MNR). This continued until Pretoria and Maputo signed a non-aggression pact in March last year. But instead of withering, the MNR — perhaps still covertly aided by elements in South Africa—has intensified activities and posed President Machel with a major security threat.

Zimbabwe's response to their neighbour's predicament thus involves repaying a war debt to an old ally. On the other hand it reflects the need to secure the road and railway to Beira (the country's shortest route to the sea), the vital oil pipeline from Beira to the Zimbabwe border town of Mutare, the road link to Malawi through Tete province, and ideally to reopen the railway running to Maputo as well. This route has been especially hard-hit by rebel sabotage.

At a time when South Africa is hinting that it might turn its rail and port outlets into weapons against black states, Zimbabwe's need for alternative routes becomes more pressing than ever.

Hence the pledge by Mr Mugabe in parliament earlier this month to commit as many as 30,000 troops to Mozambique if necessary. Mr Mugabe did not spell it out, but the decision may have been taken to use Zimbabwe's forces not simply to secure a safe corridor for trade, but to move into an attacking role and help hard-pressed Frelimo in their battle against the MNR.

The decision, which may have been several months in the planning, came a decisive step closer last June when President Julius Nyerere of Tanzania joined President Machel and Mr Mugabe in a summit at Harare to discuss their combined response to the MNR threat. Diplomats and government officials in Harare say that Mr Mugabe agreed to step up Zimbabwe's commitment of some 3,000 to 4,000 troops who have been helping protect the Beira-Mutare and Tete routes.

It is a prospect viewed with deep concern by many in Harare, not only because of the unknown impact on an already substantial military budget (14 per cent of spending in the 1985-1986 budget). The MNR have proved surprisingly resilient and although Zimbabwe's army has a guerrilla background, it might not find it easy to switch from poacher to gamekeeper. Like most guerrilla conflicts, a resolution of the battle in Mozambique may require a political initiative and Mr Mugabe, deeply committed to his old ally, could one day find himself in an invidious position.

In the meantime relations with South Africa, the regional superpower, seem to operate on two levels. Condemnation of apartheid is frequent and forceful, and there is the suspicion that South Africa could seek to destabilise Zimbabwe. This could come by providing further support to dissidents in Matabeleland, who almost certainly have had some assistance from Pretoria.

Guerrillas

But in practice the two sides have established a *modus vivendi*, brought about in part through mutual self-interest and regular unpublicised contact at high levels. Senior South African military and intelligence officials have visited Zimbabwe. Mr Denis Norman, the former Agriculture Minister, is also thought to have had unofficial talks (with Mr Mugabe's blessing) with Mr P. W. Botha, the South African Prime Minister, and Mr Pik Botha, the Foreign Minister.

The South Arican message has been plain: should Zimbabwe provide bases or training for guerrillas of the banned African National Congress, the leading opponent of white rule in South Africa, Pretoria will retaliate militarily. As a result the ANC has only a low-key diplomatic presence in Harare.

Trade remains as normal and South Africa is Zimbabwe's major partner with 20 per cent of exports. A vital pre-independence agreement remains in force, giving a preferential tariff to some of Zimbabwe's exports such as textiles, clothing and shoes.

Zimbabwe's relationship with Britain, the former colonial ruler, has been ambivalent ever since independence. Resentment remains of two provisions in the Lancaster House constitution, drawn up under British chairmanship. The first entrenches 20 white seats until 1987: the second involves acquisition of land by white settlers and ways its inequitable distribution can be redressed, an issue at the heart of the war.

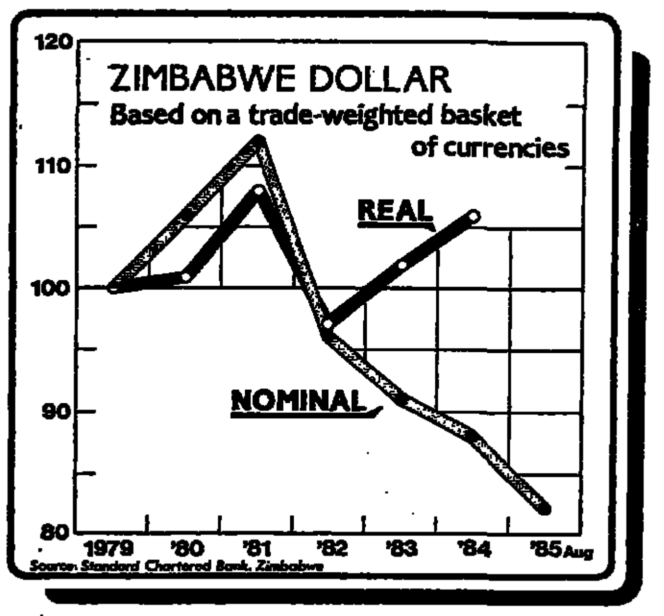
The constitution protected existing white land rights but Britain provided some £30m towards a land resettlement programme in which farms were acquired on a willing seller-willing buyer basis.

These constraints came up during the January visit to Zimbabwe by Sir Geoffrey Howe, the British Foreign Secretary, who was firmly lectured by Mr Witness Mangwende, his Zimbabwe counterpart, on the need for a speedier transfer of land to black farmers.

Relations with the U.S., the third largest trading partner and a major aid donor, remain cool at best, with Harare particularly resenting President Ronald Reagan's policy of constructive engagement with South Africa.

Those countries which supported the ruling Zanu-PF during the guerrilla war—China, Yugoslavia, North Korea, and Romania—have a special place in the Government's affections, while the backers of Zapu's army (notably the Soviet Union) are shown a response that is more correct than cordial.

But at the end of the day, the preoccupations are with countries and problems much closer to home.



Real effective rate of exchange rises

FOR THE past three years, Zimbabwe has been following a flexible exchange rate policy allowing its currency to depreciate gradually against those of its main trading partners. Since December 1982, the exchange rate of the Zimbabwe dollar has been determined on the basis of a trade-weighted basket of currencies. Before that, the exchange rate was set against a transactions-weighted basket of only six currencies.

The Reserve Bank of Zimbabwe does not publish details of the currencies that make up the basket nor of the weightings, but it is known that the effect of the change-over from a transactions-weighted basket was to reduce the impact of U.S. dollar movements very significantly while increasing the weight of a number of other currencies.

In the first three years of independence, the Zimbabwe dollar is estimated to have appreciated by about 18 per cent, but this was corrected when the currency was devalued by 20 per cent at the end of 1982 and then allowed to float down a further 5 per cent in the first half of 1983.

Standard Chartered Bank in Zimbabwe has attempted to track subsequent changes using a trade-weighted index covering some 75 per cent of exports and imports in 1980-1982.

This index shows the nominal exchange rate of the Zimbabwe dollar increasing sharply in the first three years of independence, but then falling steadily

Whether the exchange rate has depreciated far enough and fast enough depends, of course, on relative inflation rates. The Standard index does not cover real exchange rate movements beyond the end of 1984, but the graph does show that while the nominal rate fell markedly between 1981 and August 1985, the real effective exchange rate appears to have been rising in the two years from 1982 to 1984.

This reflected the fact that although the exchange rate was depreciating in nominal terms, it appeared not to be falling sufficiently rapidly to compensate for Zimbabwe's higher inflation rate, which saw prices rise more than 80 per cent 1980-84.

In the past six months, Zimbabwe's inflation has slowed significantly while the currency has depreciated—on the Standard Chartered index —by a further 7 per cent, suggesting that the real effective rate has started to fall. Clearly, this index cannot be precise because it is based on historic, rather than current, trade weightings

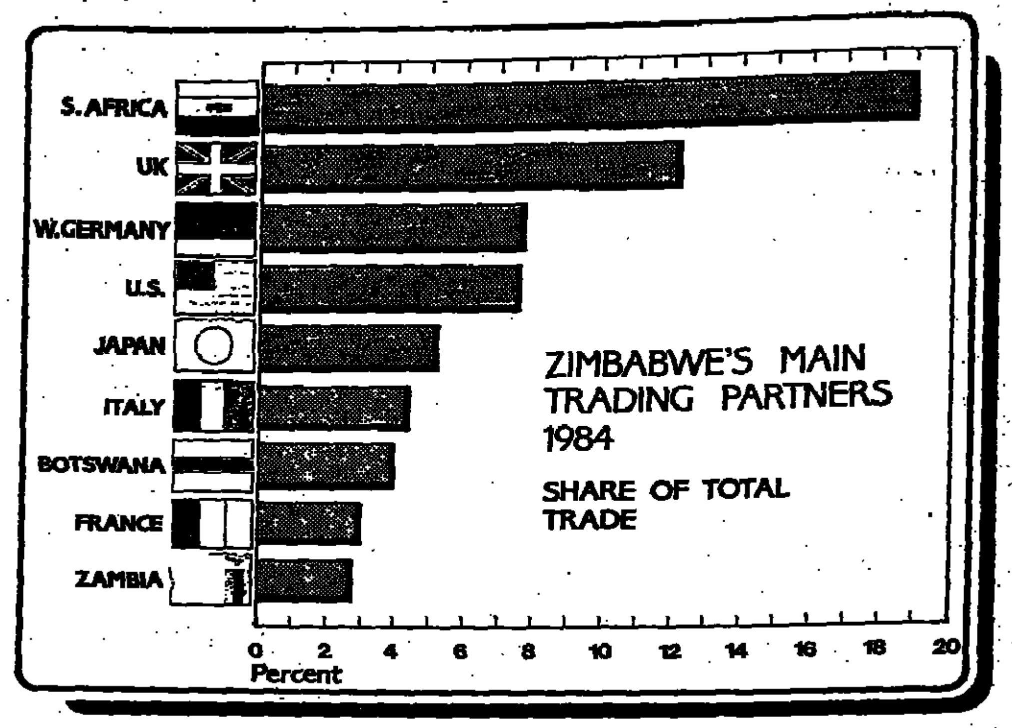
Zimbabwe's inflation rate is expected to increase significantly over the next year.

Tony Hawkins

Manufacturing is able to meet the bulk of the country's needs and is the largest contributor to GDP

Doubts over export growth

Industry
TONY HAWKINS



ZIMBABWE ranks fourth in the sub-Saharan industrial league table behind South Africa, Nigeria and Ghana. United Nations data for 1981 show that South Africa was responsible for almost 54 per cent of the region's manufacturing value added, followed by Nigeria with only 12.5 per cent, Ghana with almost 8 per cent and Zimbabwe with 4.5 per cent.

These four African countries were the only ones, whose manufacturing value added exceeded U.S.$1bn in 1981.

The relative insignificance of African industry is underlined by the fact that the sub-Saharan share of world industrial output was a mere 1.6 per cent, illustrating how much scope exists for development.

In spite of its modest contribution to African industrial output, manufacturing industry in Zimbabwe is the largest contributor to gross domestic product, accounting for 24 per cent in 1983, virtually the same as ten years previously.

How meaningful an indicator this is, has been a matter of debate. Economists argue that resource-intensive process industries like steel, ferrochrome, tobacco manufacture and cotton-ginning are more appropriately classified as mining or agriculturally-based.

Strategic

But the importance of Zimbabwe's manufacturing sector is evident in its capacity to meet the bulk of the country's consumer requirements (direct imports of consumer goods account for less than 10 per cent of total imports) and its role as the second largest employer of labour, accounting for 16 per cent of the employed labour force compared with agriculture's 26 per cent. It also has an increasingly strategic importance as an exporter.

There has been a lively debate generating rather more heat than light whether manufacturing industry is a net user rather than a net provider of foreign exchange. Agriculture and mining see themselves as foreign currency earners, a high proportion of which is diverted to import-intensive industries. Agriculture, meanwhile, has to be satisfied with an inadequate and often-obsolete tractor fleet.

It is true that agriculture uses substantially less foreign currency than manufacturing, but the debate is unrewarding because the data base does not allow for meaningful conclusions. It is clear though, that the growth of manufacturing has been seriously constrained by reductions in import allocations since 1981. Also, partly as a result of incentives and partly in reaction to a depressed home market, industry has become more export-oriented.

Crude estimates suggest that manufacturing exports virtually doubled between 1980 and 1984 when volume of manufacturing production stagnated. The exports have been boosted by the 1982 currency devaluation and the government export incentive scheme, which will cost Z$18m (US$11m) this year.

But most importantly they have benefited by the World Bank's $70m export revolving fund, which last year provided more than Z$100m in foreign currency for imports to satisfy export customers.

An additional important factor has been the growth of exports to Zimbabwe's partner countries in the Preferential Trade Area. The major customers are Zambia, Botswana and Malawi. A survey by the Confederation of Zimbabwe Industries suggests that 34 per cent of industry's 1983 exports and 46 per cent last year went to this area.

Regulations of the PTA treaty pose a problem for some important Zimbabwean exporters, because they stipulate that 51 per cent of management in an exporting business must be by residents and that 51 per cent of equity must be held locally. The management requirement is no problem, but when the equity regulation is applied—Zimbabwe is covered by a grace period—industrialists believe PTA exports could decline because major exporting companies could not meet the provisions.

Tiny surplus

In addition to PTA exports, some Zimbabwean clothing manufacturers have been breaking into West European and North American markets, though not on a large scale. Exports to South Africa (not purely manufacturers) increased 21 per cent last year, giving Zimbabwe a tiny trade surplus with the south for the first time.

Prior to the upturn of the last year, Zimbabwean manufacturers had faced a two-way squeeze of shrinking domestic demand and substantially-reduced import quotas. In the first six months of this year, import quotas to manufacturing industry were not much more than half their 1981 levels, excluding commodity aid import programmes and the special World Bank export fund.

The quotas, after adjusting for rising import prices and a depreciating exchange rate, even with the 30 per cent increase for the second half of 1985, are only about 40 per cent of 1981 levels. To this must be added commodity import programmes provided by western countries, primarily the UK and U.S., which last year were worth an estimated Z$50m.

The domestic demand squeeze meant a 20 per cent fall in retail sales, adjusted for inflation, between 1981 and 1984. There has been a strong upturn this year, but domestic demand will not regain its 1981 levels until next year—and possibly not until 1987. The depressed domestic market contributed to the export efforts of industry.

Industrial production, which increased by 25 per cent in the first two years of independence, declined 8 per cent between 1981 and last year. However, output recovered strongly in the first four months of 1985, gaining more than 10 per cent over 1984.

This recovery rate is not going to be maintained throughout the year, but forecasts point to annual industrial growth of at least 6 per cent, the first expansion in four years. But 1981 output levels are unlikely to be regained until next year.

Industry's problems focus around inadequate foreign currency allocations, and an ageing and often obsolete capital stock. The combination of price controls and labour-redundancy curbs have had a far-reaching impact on profitability and domesticdemand.

Most manufacturers have significant excess capacity but their ability to satisfy demand growth will continue to be severely constrained by the foreign currency bottleneck. In March this year, 7½ per cent of industrialists responding to a business survey described inadequate import quotas as the critical constraint on production.

On the export front, South Africa's reaction to sanctions pressures will be crucial. The trade agreement between the two countries is immensely beneficial to Zimbabwe, but as Pretoria's difficulties proliferate, so it is likely to come under increased pressure from its own industry to terminate such preferences.

Heavy dependence on goodwill from South Africa

Transport
TONY HAWKINS

THE MOST serious potential threat to Zimbabwe's economy today is that of disruption of its transport routes as a result of counter-sanctions measures by Pretoria. Latest figures of Zimbabwe's transport dependence on the White South are not available, but 1983 statistics show that in that year no less than 93 per cent of Zimbabwe's imports and two-thirds of its exports used the two railway routes through South Africa.

In all, three-quarters of Zimbabwe's import and export traffic (excluding transit business) used the South African routes. The railway line via Bulawayo through Botswana to the South African ports was the more important of the two routes handling 1.4m tonnes or 40 per cent of total import and export traffic. The direct line to South Africa, via Beit Bridge handled a further 1.3m tonnes of 36 per cent of the total.

Of the balance, 235,000 tonnes represented trade with Zambia and the North using the railway across the Victoria Falls. Mozambique handled only 98,000 tonnes of imports but an important 490,000 tonnes of exports, making 17 per cent of the total. Mozambique traffic was in 1983 split between the line to Maputo which handled 380,000 tonnes of traffic—most bulk exports like sugar, steel and ferrochrome—and Beira with some 207,000 tonnes, mainly general goods, such as tobacco, tea, coffee, maize, etc.

For the past year, the Maputo line has—to all intents and purposes—been unusable because of the activities of the anti-Frelimo Mozambique resistance movement guerrillas in Southern Mozambique. Accordingly, Zimbabwe's reliance on South Africa has increased, although some traffic using the South African railways has still been routed through the port of Maputo, but this link too has attracted guerrilla attacks.

Even with some increased use of the Beira line, it is estimated that at present upwards of 85 per cent and probably nearer to 90 per cent of Zimbabwe's import and export traffic relies either on the South African railways or ports or both.

If the transit traffic for Zambia and Zaire is added into the equation, the dependence is even greater. In 1983, transit traffic totalled 850,000 tonnes, almost all of which used the South African routes. If transit and Zimbabwean import/export traffic are taken together, then South Africa was, in 1983, handling more than 80 per cent of the region's traffic. Once the effective closure of the direct Maputo line is taken into account, it is likely that this proportion now exceeds 90 per cent.

Sanctions threat

It is no wonder then that Southern African leaders, viewing the possible imposition of economic sanctions against South Africa, have raised the—surely impracticable—suggestion of a Berlin-style airlift to sustain Zimbabwe, Zambia, Zaire and Malawi, let alone such South African "dependencies" as Botswana, Lesotho and Swaziland.

An airlift simply is not a starter given the nature of the traffic—largely crops, fuels, metals, minerals and livestock. A more meaningful approach would be to invest in the defence and rehabilitation of the links through Mozambique and the ports of both Beira and Maputo, but that is not only an extremely expensive strategy but also a lengthy one, as well as being one that the South Africans could, if they so wished, frustrate by providing military support to the MNR in Mozambique.

White farmers' morale soars as waters rise

Agriculture

TONY HAWKINS

EVEN THE shock dismissal of Denis Norman as Agriculture Minister as retribution for white electoral support of Mr Ian Smith's Conservative Alliance has failed to mar the widespread mood of confident optimism among Zimbabwe's 4,300 white commercial farmers.

They, and their counterparts in the communal lands and resettlement areas, numbering upwards of 800,000 producers, have just emerged from three hot and dry years. In that period *output volumes fell some* ten per cent from their 1982 peak, while maize deliveries alone plunged from a record 2m tonnes in 1981; to only 617,000 tonnes in 1983, recovering to 950,000 tonnes last year.

Superb rains last season have replenished water levels and restored farmer morale in a manner which seemed simply impossible twelve months ago, crop production alone this year is forecast to exceed Z$1bn (£470m) primarily because maize deliveries will top Z$300m (£140m) for the first time, but also reflecting a 50 per cent gain in seed cotton values along with one of 20 per cent in flue-cured tobacco production.

Some second-guessing of crop levels for 1985 is presently taking place. The official maize *delivery forecast stands at 1.9m* tonnes, but by the end of July deliveries to the state-owned grain marketing board totalled 830,000 tonnes since commercial farm deliveries normally peak in July and August. There is a growing opinion that the forecast is just too optimistic.

The forecast projects large-scale commerercial farm deliveries of 1m tonnes with a further 800,000 tonnes emanating from the communal areas and the balance of 100,000 tonnes from the so-called small-scale commercial growers and the resettlement areas. There is now a feeling that just as the drought effects were exaggerated last year, so the rebound impact has been over-estimated in 1985. Commercial deliveries may well fall short of the 1m tonne target while there are signs that communal farmers are rebuilding their stocks and selling maize direct to consumer rather than to the board.

The net effect of this—and of enhanced production — is that consumption which was running at around 100,000 tonnes monthly last year is now down to an annual 860,000 tonnes. Deliveries this year may well be closer to 1.7m or even 1.6m tonnes, which would still make 1985 comfortably the second-best season on record, but rather less than a bumper year.

Uncertainty over deliveries has apparently resulted in a temporary deferment of export negotiations. So far this year, some 220,000 tonnes of maize exports have been arranged, including a 25,000-tonne gift to Ethiopia. The major importers will be Zambia (65,000 tonnes), Reunion (50,000 tonnes), the World Food Programme (22,000 tonnes for African countries) and Mozambique and Venezuela with 20,000 tonnes each.

Wheat

These sales and forecast domestic utilisation will absorb some 1.1m tonnes and given the need to hold a strategic stockpile. Zimbabwe is apparently holding back on further exports, pending final delivery estimates. These exports have been negotiated *at favourable prices*, ranging between $120 and $165 a tonne, (f.o.b Harare) which is a good performance given the weak world market.

Wheat deliveries this year will more than double from 94,000 tonnes last year to around 200,000 tonnes, leaving a margin for import of around 50,000 tonnes. For Zimbabwe to regain self-sufficiency in wheat, new investment in irrigation is required since the wheat is produced under irrigation during Zimbabwe's dry winter season. The Government's national irrigation fund will play an important role here.

It has been an excellent year for cotton too, but some of the gilt has been lost from the gingerbread due to labour shortages at home and what industry *sources call the "worst world* market in 10 years." Seed cotton deliveries are forecast to increase 20 per cent to around 300,000 tonnes valued at some Z$200m (£95m).

Roughly 70 per cent of this will be exported, yielding cotton lint exports of around Z$120m (£56m). About half the output emanates from the large-scale commercial growers, nearly 40 per cent from communal producers and the balance from the small-scale commercial farmers and the state-owned estates.

There has been a significant shift in the last few years with the communal share growing from 30 to 40 per cent, while that of the large-scale farmers has declined from 60 to 50 per cent. This trend is likely to continue with increased communal *output offsetting some decline* in commercial areas.

Zimbabwe's cotton has international appeal because it is hand-picked and yet, ironically in a labour-surplus economy, it is the shortage of seasonal labour to reap the crop that is a major constraint on commercial output.

The cattle industry is rebuilding after three drought years and beef production volumes will fall some five per cent this year as slaughterings are reduced. Export prospects are promising with Zimbabwe confident of securing an EEC quota before the end of the year which would effectively double beef exports from around Z$50m in 1985 to about Z$100m (£47m) next year. Sharp rises in dometic meat *prices are likely early next year* which will depress domestic consumption resulting in higher exports.

The farm sector is crucial to the balance of payments, with a relatively low import share while even in the 1984 drought year, agriculture accounted for nearly 40 per cent of exports. It is also the largest employer of labour, providing 265,000 jobs in 1985—or 25 per cent of the employed labour force.

However, its share of total employment has been declining from 35 per cent ten years ago and no less than 100,000 jobs have been lost in commercial agriculture since the mid-seventies.

While in part this reflects improved efficiency, it is also a direct consequence of minimum wage legislation and a disturbing feature in an economy where job-creation has fallen woefully short of population expansion and which, unless effective steps are taken soon, will give rise to frightening social and political problems in the 1990s.

Agriculture's impressive short-run achievements during and after the difficult drought years cannot obscure a less-satisfactory long-term trend. The volume of gross output in 1985 is likely to be only some 12 per cent higher than ten years ago, implying that production is falling well behind the rate of population growth.

Ashley Ashwood

This white farmer shewing some of the produce from his farm

Record maize crop produced by incentives and investment

Peasants beat the drought

Communal Farming

PATTI WALDMEIR

AT A TIME when a continent-wide drought has concentrated international attention on the immense problems facing Africa's peasant farmers, the case of Zimbabwe, which has seen smallholder production rise sharply since independence. can offer important lessons.

Despite three years of the worst drought in living memory, in 1982, 1983 and 1984, the country's 800,000 peasant or "communal" farmers have shown that it takes more than a lack of rainfall to make a famine.

Their achievement in 1984, the third successive year of the Southern African drought, was nothing short of remarkable, bringing in more than twice as much maize as expected—their largest-ever crop of the country's staple food. But this success looks set to be surpassed quite significantly this year, when deliveries of maize to the Grain Marketing Board (GMB), the state marketing authority, are expected to at least double, yet again, to between 600,000 and 800,000 tonnes. This is 10 times the maximum amount ever sold by peasant farmers before independence from white rule.

In large part because of the peasant contribution, Zimbabwe expects to have as much as 1m tonnes of maize available for export this year, with some of it quite likely to go to South Africa. If a deal is eventually agreed, it will represent a significant political triumph over the Republic, which has long boasted of its role as a supplier of basic foods to its black African neighbours.

Clearly, Zimbabwe stands out as an example of Africa's potential, in a year when the fragile agricultural bases of many other African countries are shuddering under the combined impact not only of drought but of years of neglect and policies which discriminate against the countryside.

No single ingredient can be identified as the force behind the country's success. There can be little doubt that luck had a share, even a major share, in Zimbabwe's triumph. In 1984, rains fell at the crucial moment to boost the peasant crop, and the weather throughout the 1985 season has been highly favourable.

But other countries too, for example, neighbouring Zambia, have also enjoyed fair weather without being able to translate their good rains into a strong exportable food surplus.

What has made the difference is the particular cocktail of incentives and investments elaborated by Zimbabwe's newly independent Government to overcome obvious cases of discrimination against peasant farmers under white minority rule.

As in so many other areas of the economy, the approach has been a mix of incentives to private enterprise with a reliance on the state to intervene where it can do the most good.

Incentive prices have been introduced for producers, in line with the conventional economic wisdom of the major donors. But on the issue of state involvement in marketing, Zimbabwe has taken an independent path: while donors argue consistently for the dismantling of state marketing boards in much of Africa, they make an exception for Zimbabwe, where the Grain Marketing Board is reckoned to be *highly efficient* and to balance effectively the interests of producer and consumer.

Discussions with farmers, agricultural officials and donors suggest that the following factors were instrumental in revitalising the sector:

- Credit: Virtually monopolised by white farmers before independence, the availability of finance is perhaps the most important improvement. Only a paltry Z$1.5m was available to communal farmers in 1979. By this year, this figure had been increased to some Z$54m and credit was reaching some 90,000 farmers, up from 3,000 at independence.
- Extension: Zimbabwe has what are probably black Africa's best research and extension services, but before independence their efforts were largely focused on white farmers. Since 1980, there has been a concerted effort to bring extension advice to the communal farmer, with clear gains in output.
- Improved marketing infrastructure: GMB purchasing depots, before 1980, were concentrated in white farming areas with communal farmers forced to transport their crop uneconomic distances for sale. A network of new depots has been constructed, with the eventual aim of reducing the maximum distance from farm to depot. The intention is to use these depots for distributing inputs as well, currently the weak link in the chain.

There can be little doubt that, however wise these measures, they alone would not be sufficient to solve the food production problems of most African nations. The difference is that Zimbabwe is not a typical African nation.

Its level of self-sufficiency and the quality of its infrastructure is far superior to most of black Africa. The country produces 100 per cent of its *fertiliser needs locally (a limited* number of ingredients are imported), while in most other African countries shortages of fertilisers, due to foreign exchange contrainsts on importation, are a major obstacle to increased production.

Nor is Zimbabwe dependent on imports of improved seed. The country's research service has developed its own high-yielding varieties of maize and numerous other crops and nearly all seeds are produced locally.

Whereas farmers from Zambia to Nigeria struggle to procure expensive imported farm implements like hoes and ploughs which are far too often in short supply, Zimbabwe manufactures its own locally. And there is a healthy local consumer goods industry to provide an outlet for the farmer's dollars and persuade him to produce more to boost his cash income.

Equally importantly, post-production losses are almost certainly the lowest in Black Africa, with spoilage averaging less than 1 per cent, a rate which compares favourably even with the U.S.

Clearly, the Mugabe Government has taken major steps to redress the imbalance in its agricultural base inherited from Ian Smith. In 1980, there were some 6,000 highly-sophisticated white farmers controlling about half the country's arable land with 6m Africans struggling to reach subsistence on the rest. And while the average net income of large scale commercial farms was with Z$12,250 just before independence, the average net *income* of the communal, or peasant, farmer was estimated at Z$250 per household. Nonetheless, the *demands* on the peasant sector are enormous. Because of Zimbabwe's population growth rate, one of the highest in the world, food production must double in the next 12 years just to keep pace.

It has so far been possible to do relatively little to ease the fundamental problem of serious overcrowding in communal or peasant farming areas — where only a quarter of the land is classified by Zimbabwe's extension department as being suitable for cultivation.

Only 30,000-odd of a planned 162,000 farming families have been resettled on former white-owned land so far, and the *programme is clearly too expensive* to provide the main solution to the overcrowding problem.

Meanwhile, the population continues to shoot up, the permanent environmental damage done by overgrazing and overcultivation in peasant areas spreads and the base on which Zimbabwe must build to ensure food self-sufficiency is constantly degraded.

Agricultural experts say that Zimbabwe could even face a food deficit within the next two decades. Population growth is a long-term bomb which threatens to cloud the rosy picture of Zimbabwe as an example for Africa.

Farm production

Year	Communal lands Value Z$m	%	Commercial farms Value Z$m	%	Total Value Z$m
1980	27.2	5.5	465.6	94.5	492.8
1981	71.3	10.0	643.0	90.0	714.3
1982	73.1	9.7	679.9	90.3	752.9
1983	54.3	7.6	660.6	92.4	714.9
1984	117.0	12.5	822.0	87.5	939.0

Spectre of spiralling costs

Tobacco

TONY HAWKINS

FORECASTS SUGGEST that after the excellent 1984/5 growing season, the value of Zimbabwe's flue-cured tobacco production will increase 20 per cent this year to about Z$255m (U.S. $183m). These projections are based on a crop of 113m kilograms, some 6m kg below target due, in part, to the heavy rains, and a seasonal average price of 260 Zimbabwe cents a kg.

The outcome could turn out to be rather more favourable than these forecasts suggest, given the fact that in mid-August the seasonal average was running at 280 cents a kg. However, forecasts have been downgraded in recent weeks after a marked weakening in prices last month.

Ironically, it is normally at this time of the year that the better-quality leaf comes onto the floors and prices harden. But the 1985 sales pattern has been rather different with prices opening a good deal higher than seemed justified giving rise to a good deal of grower dissatisfaction with what they see as irrational and unjustified price fluctuations.

Of late, there has been widespread ticket-tearing by growers — their way of rejecting the auction floor price — and this has often been vindicated with the same bale being priced significantly higher when re-presented.

The tobacco sector was the prime target of economic sanctions with production falling two-thirds from 147m kg in 1964 to a low point of 51m kg in 1970. Since independence, the crop size has varied between a low of 70m kg in 1981 and a peak of 122.5m in the previous selling season.

Over the six growing seasons since independence, production has averaged 100m kg annually, but it is planned to increase output next season to between 130 and 135m kg despite concern in some industry circles that such expansion will jeopardise prices in 1986.

Zimbabwe leaf is aimed at the quality end of the market with 61 per cent of last year's crop going to Europe and 18 per cent to the Far East. In the first seven months of 1985, the EEC took half Zimbabwe's exports with Britain's share being nearly 17 per cent of the total.

Price improvement

If the leaf price does average around 260 cents this year, it will mark a major price improvement after stagnation around the 180 cents level in the 1981-83 period and a modest 10 per cent increase last year. The 260 cent price would represent a handsome 25 per cent increase in average returns.

However, currency influences distort the leaf price picture. So much so, in fact, that while in local currency the average price this year is forecast to be 55 per cent higher than three years ago, in U.S. dollar terms, it will be 20 per cent below its 1982 levels.

Indeed, it is clear that some of the recent slippage in the auction floor price is attributable to a weaker U.S. dollar. But this is not the full story. Some buyers have responded to the higher Zimbabwe dollar price by delaying or withholding buying orders while they investigate alternative sources of supply.

For Zimbabwean producers, the good news is that U.S. leaf prices are substantially higher — more than double those ruling on the Harare auction floor — and some of the buyers are expected to return to Harare which could give the market a firmer undertone over the next six weeks.

Equally clearly some buyers have taken their business elsewhere attaching greater priority to competitive prices than to quality.

After all the reports of a vintage crop, there has been some disappointment with the quality of recent leaf offerings and this, too, explains some of the recent market retreat. Despite these bearish influences, the signs are that the 1985 sales will see the first increase in the U.S. dollar price of Zimbabwean flue-cured leaf since 1981. Even so, the increase is unlikely to much exceed five per cent.

Because tobacco is Zimbabwe's main export, accounting for one fifth of foreign currency earnings, its market prospects are crucially important. Export sales in the first half of 1985 rose nearly 40 per cent to Z$113m though in U.S. dollar terms the increase was only 9 per cent.

Indeed, the average export price actually declined some 15 U.S. cents a kilogram, once again underlining the extent to which higher local currency prices are the result of a strong U.S. dollar.

In 1984, tobacco exports were valued at Z$275m, and this year they are being projected at Z$330m, which would leave export values barely changed in terms of the U.S. currency.

The planned 20m kg increase in the flue-cured crop next season could turn out to be the main source of agricultural growth in Zimbabwe next year. Much depends on weather conditions but a Z$50m output gain arising from the enlarged crop would almost certainly outpace expansion elsewhere in the farm sector.

There is little doubt that the tobacco industry is a good deal healthier today than for some years. The number of growers has increased by more than 18 per cent in recent years and now exceeds 1,300. Although costs have been rising at more than 20 per cent annually improved yields have enabled growers to stay ahead.

Last year, for instance, returns per hectare rose more than 27 per cent. The industry's expansion plans are helped, too, by the fact that not only are there more growers but the average age of growers is now in the early 40s as against the early 50s ten years ago.

None the less, there are serious obstacles to rapid expansion. One problem is that Zimbabwe is expanding its output at a time when many other producers are cutting back and when world consumption as a whole is stagnant and even declining in industrial countries.

In Zimbabwe itself there are doubts not just over the potential impact of an 18 per cent production increase on 1986 auction floor prices but also over the industry's physical capacity to meet such a target.

Above all, there is the ever-present concern over costs—a concern recently exacerbated by the 15 per cent pay rise for low-paid farm labour allied with inexorable inflationary increases in other costs such as fuel, spares, pesticides and fertiliser.

Values stagnate and output falls

Mining

TONY HAWKINS

MINING IS one sector of the Zimbabwe economy where post-independence performance has fallen short of expectations, largely reflecting the combination of worldwide recession in the industry and an uncertain investment climate at home.

The value of mineral production has increased nearly 75 per cent since 1979 to a record Z$547m last year, but production volumes remained 14 per cent below the 1976 peak. Currency factors have a major impact and if Zimbabwe's mineral production is valued in U.S. dollars output last year was fractionally lower than in 1979. Strong gold prices made 1980 the peak year in U.S. dollar terms.

The industry is highly diversified, involving more than 40 minerals of which five are responsible for more than 80 per cent of output value. Gold still dominates the industry, being responsible for almost 40 per cent of output value last year, followed by asbestos with 15 per cent, nickel (11 per cent), coal (10.5 per cent) and copper (6 per cent).

Chrome production, valued at mine last year at some Z$30m and 5.5 per cent of total output, is more important than this figure suggests, since ferrochrome is the third largest export after tobacco and gold.

The industry has not only been constrained by weak world demand prices. Domestic production conditions have also been difficult. Profitability has suffered from sharp increases in wages, in electricity and railway tariffs. Thus, in the 1970s, the wage-bill accounted for less than 40 per cent of value added. This changed dramatically after independence when wages absorbed 80 per cent of value added. This was because of a fall in value added and a doubling in mining wages.

The main influence behind the improvement in profitability has been currency depreciation, but wage restraint and a halt to the policy of power tariff increases also contributed. The July 1985 wage increase will add an estimated Z$30m to costs this year at a time when gross output is unlikely to increase by more than Z$50m.

World metal prices seem likely to weaken over the next 18 months, suggesting that the 1984-85 profit resurgence is unlikely to be maintained next year.

Ministers and officials are concerned at low levels of prospecting and investment, with the expansion at Wankie coal mine the only big post-independence investment.

Mining investment was Z$367m in the past four years of economic sanctions compared with Z$323m in the first four years of independence. Production volumes declined fractionally in the first four months of 1985 and there are few grounds for anticipating any major advance in output volumes until the international economic upswing gathers momentum in the late 1980s.

One expansion project will be the reopening next month of Rio Tinto, Zimbabwe's base metals refinery at Eiffel Flats. This was closed last year following the shutdown of the loss-making Empress nickel mine, but is being restarted to refine matter from the BCL group in Botswana.

Government policy towards the mining industry has emphasised increased state participation. The most important policy move was the establishment of the Minerals Marketing Corporation, responsible at home and abroad for virtually all mining output excluding gold which is handled by the reserve bank, but including steel and ferro-alloys.

Mineral Output

	Z$m	US$m
1979	315	463
1980	414	646
1981	394	567
1982	383	520
1983	470	462
1984	547	434

Fears that this would deter buyers and generate unnecessary costs have not been realised, in part due to the pragmatic management by Mr Chris Ushewokunzwe, the chairman, and Mr Mark Rule, chief executive. The two have established their reputations in the eyes of international buyers.

Wankie colliery and MTD Mangula (copper) are now effectively state-controlled as a result of Government equity purchases. The way is open for the state to widen participation by exercising conversion rights in respect of loans to some nickel and ferrochrome producers.

But this seems unlikely given the Government's strained financial position. Indeed, earlier this month the Zimbabwe Mining Development Corporation revealed that while there are new projects in the pipeline, the corporation does not have the finance to exploit them.

Gold is probably the best mineral prospect given the relatively favourable production conditions and its weight-to-value ratio, which cushions the impact of transport charges when compared with most of the other mining exports. Government policies to boost gold mining include provision of a guaranteed minimum price of Z$500 an ounce and a plan to establish a gold refinery in the country, ending reliance on refining in South Africa. Other favourable export prospects include platinum, tungsten and cobalt, but they play a minor role.

Ferrochrome has had two good years, but there have been signs of a weaker market in 1986. Asbestos continues to be bedevilled by health worries, but Zimbabwe has won some useful export orders, including one to India worth US$2m.

In the longer-run, prospects for coal exports are good, but this will depend on substantial investment in transport capacity.

It is impossible to exaggerate the industry's strategic importance. While it contributes less than 6 per cent of GDP and is responsible for only 5 per cent of total employment, its foreign exchange-earning capacity is crucial. Last year mineral exports, including ferrochrome and steel, were worth nearly Z$600m, about 40 per cent of total exports.

In the light of the unpromising near-term outlook in world markets, it is vital for Zimbabwe to maintain market share, which is likely to mean continued currency depreciation to offset cost-escalation at home and in transporting exports to world markets.

Spending levels stay high

Budget/Subsidies

TONY HAWKINS

SINCE 1982 a tight budgetary position has seriously cramped the Mugabe Government's style. In the last three budgets, the deficit has averaged 10 per cent of GDP while the Government has been forced to borrow upwards of Z$700m merely to finance recurrent spending.

This in turn has resulted in increased reliance on borrowings, foreign as well as domestic, and even overdraft finance from the central bank, itself inherently inflationary.

The Government cannot be blamed for a failure to impose taxes. In the current fiscal year personal and consumption taxes are forecast to absorb more than 40 per cent of personal incomes and Mr Chidzero, the Finance Minister, has more than once conceded that tax levels are too high. The problem lies on the expenditure side, taking the form of excessive public consumption combined with inadequate public investment.

Some 44 per cent of budget spending is earmarked for three votes — education (16.7 per cent), defence (13.7 per cent) and debt-service (13.4 per cent). The Government is, to a great extent, locked into these appropriations, since there is virtually nothing it can do to achieve major savings.

Education spending is a source of grave concern since, barring a new political initiative, it will exceed 20 per cent of the budget by 1990. The same is true of debt-service, which has trebled in the last four years.

In spite of efforts to curb subsidies, these too have remained obstinately high, growing from Z$100m in 1980 to a forecast Z$377m this year. The 1985 Budget excludes Z$99m of subsidy payments being rolled over until next year, so the effective subsidy total for 1985-86, including interest charges on the roll-over amount, is not far short of Z$500m.

Good progress has been made in curbing food subsidies, which in real terms are lower now than three years ago, but there is a disturbing growth in the non-food area. The national railways and the Zimbabwe Iron and Steel Company will absorb Z$120m this year, while the airline and air freight company will make a further Z$30m. There are also relatively small amounts to the Tourism Corporation, the Mining Development Corporation, the state-owned news agency and Zimbabwe Broadcasting Corporation.

Big reductions in subsidies could transform the budgetary position, both by substantially reducing the Z$800m budget deficit this year and terminating the undesirable policy of borrowing to fund recurrent spending.

However, this is easier said than done given the desire within the Government to control inflation and to maintain output and employment in vital export sectors while subsidising both exports and food prices by financial support for the railways.

Zimbabwe 9

Population time bomb ticks on

Resettlement

PATTI WALDMEIR

BEFORE independence in 1980 about 6m Africans were eking out a living from 16m hectares of mostly marginal soil (three-quarters of it unfit for dryland cultivation) in the "Tribal Trust Lands," or reserves, set up for them by the minority government from as far back as 1910. This represented about half of the country's land.

The other half was controlled by about 6,000 highly sophisticated white commercial farmers, whose farms averaged about 100 times the size of the average Tribal Trust Land holding, along with a few thousand much smaller commercial farms, operated mostly by Africans.

It is not difficult to see why the peasant inhabitants of the Tribal Trust Lands (since re-christened "communal lands"), should have seen Zimbabwe's guerrilla war as largely a struggle for land.

However, in the five years since independence, the broad balance of these figures has actually changed very little, in spite of the Z$55m spent so far on resettling 32,000 families on 2m hectares of formerly white-owned land.

Overcrowding in the communal areas is still critical. According to agricultural experts, at today's levels of technology and infrastructure the communal lands are able to support no more than 325,000 families, or less than half their current estimated population of 800,000 to 900,000. And with the rural population growth rate put at 3.6 per cent a year, the already minimal amount of land available per capita in the communal areas (4.4 ha) will be halved again by the year 2,000.

The stark fact is that resettlement at its current rate cannot even keep pace with population growth in the communal areas, let alone effect any meaningful redistribution of land between black and white.

Five years have brought Zimbabwe a long way from the heady days of independence when grand plans were elaborated to resettle some 162,000 families on former white-owned land within the first three years of independence. While 162,000 remains, at least nominally, the goal, Government officials refuse to discuss a timetable. Meanwhile, the population time-bomb continues to tick.

The policy of resettlement, tailored to respond to the heightened expectations of landless peasants that the iniquities of minority rule would be redressed, is now being redefined.

According to Mr Moven Mahachi, recently appointed Minister of the newly-joined Ministries of Agriculture, and Lands, Resettlement and Rural Development. "We've discovered it doesn't work to focus our efforts only on resettling people on former white lands.

"We've learned a lot in five years. We now believe the main thrust of our efforts should be in developing the existing communal lands, which could produce twice as much food if properly utilised—but without ignoring resettlement."

Development officials involved in the programme say that it has for the most part been handled smoothly, although there have been numerous cases of families resettled on new land before essential infrastructure such as schools, clinics and roads have been fully developed, and without sufficient technical support in the form of seeds and extension advice.

The results of the scheme so far are difficult to quantify because the first three years of most new settlements in 1982-84, were the worst drought years in living memory.

Criteria

Government officials stress that, given the criteria used for selecting families for resettlement—they must be landless or with insufficient land to support dependents, unemployed and poor; or they must be refugees from the guerrilla war—it will undoubtedly take more time yet to get some of the projects off the ground. Those selected so far are precisely those who have the least agricultural experience and the least capital to make their new holdings a success.

But they are clearly worried at the dismal maize yields achieved by farmers in some areas (as low as 500kg/ha), and at a credit repayment rate which averaged below 10 per cent for the first three years of the programme.

This concern has led to a major change in the selection procedure over the past year, with government now actively seeking trained farmers—a category of African called a Master Farmer, who holds a certificate to prove his competence in farming—to migrate to the resettlement areas in hopes that their example, and informal extension advice, will help to boost output in these areas.

There are also significant differences between government and donors—the UK, by far the largest donor, has committed £20m to the programme, with a further £10m to be used in large part to cover counter-part funds for such projects—over the issue of whether the resettlement schemes should be capitalistic or socialistic in orientation.

Overcrowding in the communal area is still critical

Three main models for resettlement have so far been adopted: model A, individual arable plots with communal grazing and a village settlement; model B, communes or co-operatives; model C, a hybrid of the two, with a communal core estate surrounded by adjacent family plots.

According to Minister Mahachi, Model B schemes, which Britain has refused to fund, are government's goal, although only 1,700 families have so far been resettled on this model, with the vast majority settled on individual plots.

Mr Mahachi constantly stresses that the Government intends to be realistic about the prospects for developing a co-operative farming system. Joining co-operatives must be voluntary, he says, admitting that to be successful, co-operative schemes require more commitment, more skill and more managerial ability than does individual development.

"It's important to begin from what people know," he says, recognising the inherent conservatism of most African farmers.

The programme so far has created few conflicts with the commercial farmers who still produce over half the nation's marketed maize and the bulk of its export crops, and whom government has gone to great lengths to reassure. Land has so far been acquired scrupulously on a willing buyer-willing seller basis. But white farmers say they detect a new ominous note in recent Government statements on resettlement.

The Land Acquisition Bill which surfaced at the last sitting of Parliament appears to give the Government much more leeway in determining land values, and there have been fairly open threats that "derelict" land will be confiscated (without a clear definition of "derelict" having yet been put forward).

The resources, both human and financial, which are required to tackle Zimbabwe's land problem are enormous, whether the focus is placed on resettlement on white lands, or on investing in existing communal plots.

The recently announced 1985-86 budget can only lead to doubts about the Government's commitment to tackling the problem in earnest — grants to agricultural and rural development and resettlement were cut drastically to Z$13.9m from last year's budgetary vote of Z$26.27m — an amount which represents only just over 1 per cent of the Government budget.

PROFILE: T.A. HOLDINGS

In good but leaner shape

FROM HIS vantage point as chief executive of T. A. Holdings, Zimbabwe's largest locally controlled, publicly-quoted conglomerate, Ariston Chambati offers a careful mix of enthusiasm about the government's achievements since independence and caution about economic hurdles that lie ahead.

Post-independence developments, particularly in the fields of health, education and rural infrastructure, says Mr Chambati, have been "quite phenomenal." But, he adds, "real economic problems have got to be faced. Among the issues that concern me most is the rate of expansion in the public service along with rising public expenditure, the level of government subsidies and the size of the budget deficit."

The wide spread of T.A.'s interests make the company, with turnover in year ended May 1985 of Z$214m, a useful indicator of the country's overall well-being. The interests include chemicals, electrical wholesaling and manufacturing, electronics, hotels, insurance, milling, mining, agricultural services, property and the retail sector.

Three hard years

The company has come through Zimbabwe's three hard years of drought and generally depressed mineral and commodity prices in good, albeit leaner shape, argues Mr Chambati. "But we have paid a price in employment levels, for in real terms business has been static. T.A., for example, employed over 7,000 workers in 1982. It is now down to about 6,000. This reflects what has been happening almost across the board as companies have had to cut costs and trim their labour force in order to survive."

Mr Chambati, 50, is one of the new, post-independence breed of black businessmen who have risen to the top. With his first two degrees from U.S. universities and a post-graduate degree from Oxford, he served for a while in the Commonwealth Secretariat in London.

He then joined the University of Zimbabwe as a senior lecturer in politics, and from the mid-70s began to play a key role in Mr Joshua Nkomo's Zapu Party. He attended the Geneva, Malta and finally Lancaster House conferences on the country's future.

Among Zapu's 20 MPs returned in the 1980 independence elections (winning Zapu's only seat in Mashonaland) he gave up his parliamentary seat, however to serve as Zimbabwe's ambassador to Bonn. "At that point," says Mr Chambati, "I decided to give up politics altogether and serve my country as a diplomat."

In September 1982 he resigned to join T.A. Holdings as understudy to the then chief executive, Mr Syd Hayes, and the handover took place in June this year.

Has the business sector, overwhelmingly dominated by the white community at independence, adjusted to black government? "Up to a point. I think there is the need, however, for a greater effort to train and promote black Zimbabweans. There is not enough evidence of that in the majority of companies—hence government concern that the structure of most boards and company management has not changed enough."

Road to socialism

"The private sector must adapt itself," argues Mr Chambati, "it cannot live in the past. The reality is that the private sector is now operating in a society that is on the road to socialism. If it is to operate effectively, it must change with the times."

Among the most sensitive areas, where the Government is closely watching company policies, is decentralisation, worker participation and job creation.

TA introduced workers' committees and works councils, which are tending to supplant the conventional trade union role, well before the Government introduced the concept in 1980: "We see the workers' committee system as an excellent one and a basis for industrial democracy. We also introduced share participation among employees once they have been with the company for three years."

Job creation, argues Mr Chambati, is more difficult: "ultimately that depends on growth in the country's economy, which in turn is partly dependent on government policies. We support decentralisation of industry and when the opportunities come to set up in rural areas we will take them—and we've made a start, establishing a bakery at Gutu and a maize mill in Chinhoyi."

He is cautious, though, in his response to the criticism frequently heard that the Government's apparent ambivalance to the role of the private sector has put off many foreign investors: "external investment is a matter of confidence in a country. When a political climate is not favourable, people look elsewhere. Government policies from time to time cause concern to would-be investors, whether they are justified in their concern is a different matter."

Michael Holman

Simple charms and fragile beauty

Tourism

PATTI WALDMEIR

"ZIMBABWE IS the best-kept secret in Africa," is the wry comment of one leading private hotelier, reviewing an industry which, with hotel beds in serious over-supply and hotel profitability at a poor level, is largely in the doldrums despite the high hopes generated at independence, five years ago.

The impressive-looking Harare Sheraton Hotel, which includes a 4,500-seat conference centre has, however, just been completed. The steel and mirrored glass complex, with its molten curves glinting in the wan sunshine of the southern African winter, looks like a highly expensive gamble by the Government to attract a higher degree of international attention which has so far eluded the nation's half-hearted tourist promotion efforts.

Government officials do not even pretend that the decision to construct the massive complex was anything other than a political move.

According to Moti Abichandani, director of the Government parastatal, Zimbabwe Tourist Development Corporation (ZTDC), the project is necessary to boost the prestige of Zimbabwe "whether it is commercially viable, or not."

Nonetheless, he contends that the Yugoslav-built project—which is 100 per cent Government-owned, although managed by Sheraton under a management contract—eventually will prove viable and should even begin to show an operating profit soon after its planned opening in a few months' time.

Those in the private sector who are familiar with the project, greet these claims with some scepticism. They point out that costs have seriously overrun the initial contract price of Z$65m, with independent estimates putting the final cost of construction in the Z$120-130m range.

Finance Ministry officials have also privately expressed grave concern at the burden the project will place on the Government budget and debt service for several years to come.

Heavy investment

In the 1985-86 budget alone Z$10.86m was allocated to the Ministry of Tourism for the Sheraton complex, an amount nearly equal to twice the allocation made in the same budget for the purchase of land under the politically sensitive programme of re-settling Zimbabwe's landless and destitute people on former white-owned farms.

Zimbabwe is hardly the first African state to have made such a heavy investment in developing that intangible factor, the national pride, nor can the hotel complex compare with some of the continent's more notorious touristic white elephants—for example, the multi-million dollar 2 Février Hotel in the tiny West African state of Togo, built with 50-odd top-class presidential suites to house African leaders in case the Organisation of African Unity (OAU) should ever decide to select Togo's strongman leader, Gen Gnassingbe Eyadema as OAU Chairman.

Nonetheless, the size of the conference centre, with its 4,500 seats, is far too large for most regional or continental bodies apart from the OAU. It has given rise to widespread speculation that Prime Minister Mugabe may also be angling for the Organisation's chairmanship.

Whether or not this is true, the size of the conference facilities is difficult to reconcile, both with the amount of hotel accommodation available in Harare—even including the new Sheraton Hotel, there are only some 1,500 rooms in the one to five-star range available in the capital—and with the scope of the city's international airport.

Harare airport undoubtedly has a certain small-town charm after the befuddling complexities of Heathrow or Gatwick, but it would most likely suffer total paralysis if confronted with the arrival of three jumbo aircraft, packed with impatient international conference delegates.

Asked whether there are plans to extend and upgrade the airport accordingly, Ministry of Tourism and ZTDC officials reply that the issue is a matter for the Ministry of Transport, suggesting a worrisome lack of co-ordination in planning the new project.

For better or for worse, the Sheraton complex is likely to attract considerable international interest over the next few years, when its spanking new facilities can be expected to command a certain novelty premium over the worn and prematurely-aged Kenyatta Conference Centre in Nairobi, its nearest black African rival.

If a steady stream of 1,000 to 1,500-delegate conferences can be maintained over the first few years of operation, the complex can be counted on to breathe new life into the struggling hotel industry, both in Harare and in other major tourist centres, especially the magnificent Victoria Falls which should be a mandatory side-trip for any conference delegate. Hoteliers reckon that there would be a major spill-over effect from such conferences which could help rescue the industry from bed-occupancy rates currently languishing in the mid-30 per cent range.

Mini-upturn

Indeed, the fortunes of the industry are already showing signs of a mini-upturn, as it emerges from three difficult years of world recession, adverse publicity and drought (which has constrained spending on both tourist development and promotion).

But officials recognise that before the industry can begin to make a significant impact on the economy, and especially on foreign exchange revenues, a change in the pattern of tourism is imperative.

Two-thirds of Zimbabwe's tourists now come from neighbouring South Africa and Zambia, with Zambian visitors, in particular, confined to shoestring budgets by stringent Zambian exchange control regulations.

This aerial view shows the mile-wide Victoria Falls, one of the greatest tourist attractions in the world

Consequently, ZTDC officials say they will now focus promotional efforts on the well-heeled long-haul visitor from North America, Europe and Australia in an attempt to boost earnings—"Kenya can have the more working-class European holiday families who can just afford a flight to Mombasa and the Indian Ocean coast," they say.

The fragile beauty of the Falls or Zimbabwe's game parks would soon be overwhelmed by the kind of mass tourist influxes which Kenya has attracted. Zimbabwe is going for high value, but low volume.

Political factors are likely to have a major impact on the success of this strategy. The abduction and subsequent murder of six tourists in Matabeleland in 1982 (their bodies were only discovered in March this year), seriously shook confidence in Zimbabwe as a secure tourist destination. And because many international tourists come to Zimbabwe on package tours, which also include South Africa, unrest in the Republic could have a serious negative impact.

Indeed, given the limited geographical knowledge of most Americans, those in the industry say that even a coup in Uganda, a few thousand miles away, can hurt Zimbabwe's tourist figures.

Despite these obstacles, it is difficult for those who have been to Zimbabwe not to believe that its product is eminently saleable. Since it is a relatively small country, served by a good domestic air and road network, Zimbabwe can cater as easily for a business traveller, with just a Sunday or a weekend free, as for a one to two-week family holiday.

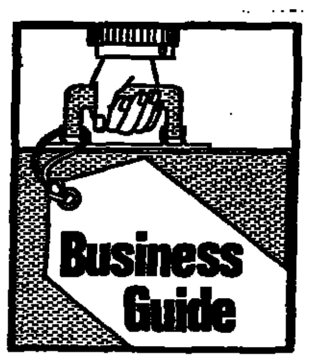
Trips to falls

Victoria Falls is a "must": refreshingly unspoiled by T-shirt vendors and commercialism, the falls are perhaps best described by their African name, Mosi oa Tunya (the Smoke that Thunders). Viewed from a light aircraft as part of the "Flight of Angels" aerial tour, it is not difficult to see why the 19th century explorer and missionary, Dr David Livingstone, thought of paradise when he became the first white man to view the falls in 1855.

Air Zimbabwe offers day (U.S.$90) or overnight (U.S.$138) trips to the falls (tours, meals and accommodation included), but the business traveller with three days to spare is best advised to combine a Mosi oa Tunya trip with a day and night of game-viewing at the nearby Hwange National Park (another Air Zimbabwe package) (U.S.$193).

For those in need of a restful weekend, three hours' drive from Harare brings you to Troutbeck Inn in the splendour of Zimbabwe's pine and bracken-clad Eastern Highlands, where fishing and horse riding are favoured pursuits. Lake Kariba, also well-served by Air Zimbabwe flights, offers a weekend of superb boating and sunny relaxation.

"White water rafting" on the Zambezi River rapids is highly recommended for those energetic visitors who have about a week to spare. But high adventure is not Zimbabwe's strong point. Its charms are more simple: warm sunshine, throughout the year, friendly people, a high standard of service and efficiency—and the unparalleled wide, impressive skies of Southern Africa.



COMPILED BY MICHAEL HOLMAN

IF THERE is any country in Africa which does not need to offer its visitors a guide to doing business it is Zimbabwe. The official language is English, it boasts some of the finest hotels and tourist facilities in Africa, the roads are excellent and the national airline efficient and the climate outstanding.

Many institutions will be familiar to British visitors, such as the bewigged Speaker in a parliament modelled on Westminster.

In spite of these superlatives, the business visitor should bear in mind a few points.

A yellow fever certificate is required (although seldom demanded at entry) and visitors should also have a cholera vaccination certificate if from affected areas. Malaria is less prevalent than in many African countries but prophylactics are essential.

Precautions

Some guide books advise precautions only if visiting the country's low-lying areas, but disregard this. You can catch malaria at Lake McIlwaine, a delightful resort 30 minutes drive from Harare, where the state-run national park lodges in the middle of a game reserve and overlooking the lake provide one of the best tourist bargains (Z$30-40 per night for the larger, two-bedroom thatched lodges).

Complete the currency declaration form in the airport baggage hall and ensure that each transaction is recorded. You will be asked to present it on departure. And do not forget to put Z$10 aside for the airport tax on departure.

Harare has a plethora of first-class hotels: Holiday Inn Jameson, Monomatapa, Park Lane, the new Sheraton, which starts taking guests later this year. Meikles, however, remains one of the best hotels in Africa.

I have yet to forgive the Meikles organisation for their demolition of the old hotel on the corner of Second Street and Stanley, with its wide red-polished verandah and balconies. But their rooms in the east wing, with a fine view of the greenery of Cecil Square still have something of the old charm. Less discerning visitors stay in the modern new block, where they pay more but are closer to a swimming pool.

My vegetarian tastes should preclude me from making judgments about most restaurants but I will call on the experience of carnivores who have been my guest in recommending where to eat.

Among the best of the bunch are: Alexanders, in Livingstone Avenue; Pino's (sea food), in the city centre; Le Francais, Avondale (for French food adapted to Zimbabwean palates); Homegrown, city centre (vegetarian dishes and a good salad)..

Favourite

My favourite is Guido's, in the Montagu Shopping Centre, which offers Italian food at modest prices and scorns the "smart casual" demands of other restaurants.

What is "smart casual"? There is no easy definition of a phrase which, as far as I know, means something to Zimbabweans but to no other race. It refers to a mode of dress somewhere between shorts and tackies (plimsolls) and a dinner jacket. You need not wear a jacket and tie, provided your slacks and shirt are up to scratch. But woe betide if you are wearing jeans, because they are not smart casual.

Meikles is strict about this, and will not serve anyone at its two main bars after six o'clock if wearing jeans: This is perhaps why the serious drinkers head downstairs to the Captain's Cabin, where standards are more relaxed.

I have not mentioned ladies' attire. Zimbabwe remains old-fashioned and to prescribe the dress a lady should wear is regarded as ungentlemanly. The maitre d'hôtel at La Fontaine restaurant at Meikles turns a blind eye even to jeans.

The business visitor's greatest problem is how to spend the weekend, for the choice is wide. On offer are such delights as a day trip to the Victoria Falls, a weekend at Hwange Game Reserve, or a three-hour drive to the beautiful rolling hills of Nyanga and a couple of nights at Troutbeck Inn, where bedrooms have log fires on winter nights. The hotel's golf course is one of the prettiest on the continent.

Air Zimbabwe offers package trips, local travel agents are efficient, as are the car-hire companies.

A final caution: steer clear of Zimbabwe's river and dams, because you risk getting bilharzia, a nasty water-borne parasite (except in the waters of the Nyanga and Vumba highlands, which are too cold). Boating clubs, however, usually treat the water around the jetty and clubhouse shore, which makes sailing relatively safe.

HOTELS

Harare
Meikles 707721 Tx 4214
Monomatapa 704501 Tx 4337
Jameson 794641 Tx 4166
Holiday Inn 708655 Tx 2075
Park Lane 704501 Tx 4337
Department of National Parks 706077

Bulawayo
Bulawayo Sun 60101 Tx 3242
Holiday Inn 72464 Tx 3341

Gweru
Midlands Hotels 2581

Victoria Falls
Victoria Falls Hotel 203-5 Tx 3324

Nyanga
Troutbeck Inn 305

Hwange
Hwange Safari Lodge 72 Tx 3325

CAR HIRE

Harare (branches in other main centres)
Echo Europcar 702221 TX 4641
Hertz 792791-3 TX 4741
Avis 720351 TX 4156

AIRLINES

Air Zimbabwe 52601
British Airways 794616
South African Airways 700921
Air Malawi 708383
Zambia Airways 793235-6
Kenya Airways 792181-3

BANKS

Reserve Bank of Zimbabwe 707771
Standard Merchant Bank 708585
Zimbabwe Banking Corporation 700631
Ral Merchant Bank 703071
Barclays 702801

EMBASSIES AND MISSIONS

British High Commission 793781
United States Embassy 794521
France 48096
West Germany 702368-9
Italy 47279
European Economic Community 707139
Sweden 790651
Canada 793801

RESTAURANTS

Alexanders 700340
Pino's 792303
Homegrown 703545
Le Francais 302706
Guido's 723349